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Chairmans Message

Dear Fellow Shareholders

I am happy to inform you that, during 2006-2007, your company has successfully entered the car segment & more specifically the small car segment. Your company successfully submitted prototype samples & finalized negotiations with two major multinational OEMs, & regular supplies to these customers could commence in 2007-2008. Your company has also expanded its office in the US to cater to the growing supplies of our products in the replacement markets there.

In 2006-2007 your company's turnover grew by 23 % & exports grew by 14 %. Furthermore, during the year 2006-2007, your companies Aluminium division has achieved operational profitability levels & during 2007-2008 the aluminium division is poised to achieve breakeven.

As a result of the new export business & organic growth in business from existing customers, in the coming year too, I am confident, our company will continue to grow.

Thank you for your support in making all this possible.

Regards,



Ram Menon

Chairman, Menon Bearings Ltd.

The Board Of Directors

RAM MENON	Chairman
SACHIN MENON	Director
R. D DIXIT	Vice Chairman & Managing Director
NITIN MENON	Joint Managing Director
T. K. GUHA	Executive Director
KUMAR NAIR	Director
SUHAS KULKARNI	AGM - Finance & Accounts
AUDITORS	M/s. P. M. VARDHE & CO. Chartered Accountants, Kolhapur
BANKERS	UTI Bank Ltd. Kolhapur State Bank of India, Gokul Shirgaon, Kolhapur

REGISTERED OFFICE
G-1, MIDC, Gokul Shirgaon, Kolhapur 416 234

Notice

Of 16th Annual General Meeting.



MENON BEARINGS LIMITED

Regd Office:G-1,MIDC, Gokul Shirgaon, Kolhapur 416234

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Friday, the 31st of August, 2007 at 10.30 a.m. at the Registered Office of the Company at G-1, MIDC Gokul-Shirgaon, Kolhapur to transact the following business:

Ordinary business

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the year ended 31st March 2007 and the report of the Directors and of the Auditors.
- 2.) To declare a dividend.
- 3.) To appoint a Director in place of Mr. Sachin Menon, who retires by rotation and being eligible offers himself for reappointment.
- 4.) To appoint M/s P. M. Vardhe & Co., Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting and to fix their remuneration.

Kolhapur
Date: 20-05-2006

For Menon Bearings Ltd.

Ram Menon
Chairman

Notes:

- 1 **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- 2 The register of the members and the share transfer register books of the company will remain closed from 16-08-2007 to 31-08-2007 (both days inclusive) which shall be record date.
- 3 Consequent upon the amendment to Section 205A of the Companies Act, 1956 and insertion of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years shall hereafter have to be transferred to the Investor Education and Protection Fund. Shareholders are requested to kindly note the same.
- 4 As per requirement of SEBI and Mumbai stock exchange, the Company has dematerialized its shares from April 2001.
- 5 The company has appointed following Registrar and Share Transfer Agents:
Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400078
Ph. (022) 2596 3838
Shareholders are requested to approach above Registrars for share transfer/transmission/change of address/dematerialization etc.



MENON BEARINGS LIMITED

Regd. Office : MIDC, Gokul - Shirgaon, Kolhapur - 416234

PROXY

I / We _____
 Of _____ being a member / members of Menon
 Bearings Limited hereby appoint
 Mr. / Mis. _____
 of _____
 or failing him
 Mr. / Mis. _____
 of _____
 as my/our proxy to attend and vote for me / us on my / our behalf
 at the 16th Annual General Meeting of the company to be held
 on 31st August 2007 at 10.30 A. M. and any adjournment thereof

Signed _____
 This _____
 day of _____ 2007.

Affix
 One Rupee
 Revenue
 Stamp

Members' Folio Number :
No. of Shares held :
DP ID :
Client ID No. :



MENON BEARINGS LIMITED

Regd. Office : MIDC, Gokul - Shirgaon, Kolhapur - 416234

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

I hereby record my presence at the 16th Annual General Meeting of
 the Company to be held at the Registered Office of the company
 on Friday the 31st of August 2007 at 10.30 A. M.

NAME OF THE ATTENDING MEMBER (In Block letters)

--

NAME OF THE PROXY (To be filled in if the proxy attends instead
 of the members) (in block letters)

--

Signature of the Member / proxy

Members' Folio Number :
No. of Shares held :
DP ID :
Client ID No. :

Notes:

1. Shareholders / proxy holders are requested to bring the attendance slip with them duly completed when they come to the meeting and hand them over to the gate after affixing signatures on them.
2. The proxy form must be deposited at the Registered Office of the company G-1, MIDC, Gokul - Shirgaon, Kolhapur - 416234, not less than 48 hours before the time for holding the meeting.

Report of the Board of Directors

Your Directors feel great pleasure in presenting the 16th Annual Report of your company with the Audited Statement of Accounts for the year ended 31st March, 2007.

OPERATIONS:

(Rs. In lacs)

Sr. No.	Particulars	Year Ended 31.03.07	Year Ended 31.03.06
1	Profit before tax	385.82	319.49
2	Provision for tax	136.17	115.93
3	Profit after tax	249.65	203.56
4	Balance of profit as per last Balance Sheet	861.45	800.20
5	Previous year adjustment for tax	Nil	Nil
6	Previous year expenses	1.23	4.16
7	Balance available for appropriation	1109.87	999.60
8	Proposed dividend (in Rs. Lakhs)	116.75	102.74
9	Proposed Rate of Dividend	25 %	22 %
10	Tax on dividend	19.84	14.41
11	General Reserve	24.00	21.00
12	Balance of profit carried to Balance Sheet	949.28	861.45

RESULTS OF OPERATIONS:

During the year under review company has registered a sale of Rs. 3028.60 Lacs & net profit of Rs. 385.82 Lacs. The current fiscal was hampered by increase in the cost of raw material & cost of finance. To cure the position, your company has already initiated the process of revising prices & had been in discussions with its customers. So far almost all the customers have given price rise.

DIVIDEND:

Considering the profit position, your directors have decided to plough back the profits into the company by way of capital investment & hence recommend a dividend at 25% i.e. Rs.2.50/- per share.

PUBLIC DEPOSITS:

The Company has not accepted any public deposit within the meaning of Section 58A & 58AA of the Companies Act, 1956 and rules framed thereunder.

DIRECTORS:

Mr. Sachin Menon Director, retires by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

AUDITORS:

M/s P. M. Vardhe & CO., Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

As required by the provisions of section 217(2A) of the companies act, 1956 read with the Companies (Particulars of Employees) drawing salary of Rs 24,00,000/-per annum or Rs.2,00,000/-per month is enclosed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- i) while preparing the Annual Accounts, the applicable accounting standards have been followed and proper explanation relating to the material departures have been given wherever necessary.
- ii) The directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2007 and of the profit of the company for that period.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- iv) The Directors have prepared the Annual Accounts on a going concern basis.

The information required under the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988 is enclosed.

CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with stock exchange a report on corporate governance is given separately.

ISO/TS 16949:2002

The Company has been awarded certificate from TUV SUD Management service GMBH.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their gratitude for the continued co-operation and patronage extended by the esteemed customers both in OEM and after market segments. The Directors would also like to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance during the year under report by our bankers, all the customers, suppliers of the company and government agencies. The Board of Directors wishes to express its appreciation for the valuable contribution made by the employees at all levels during the year under report.

CEO/CFO Certification: The CEO/CFO Certification as required under Listing Agreement with Bombay Stock Exchange is attached.

Information required under The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

I. CONSERVATION OF ENERGY

- a) Automatic systems are installed to switch off the motors if running without load.
- b) Power factor is maintained near unity to control the maximum demand.
- c) Continuous improvement projects are implemented at various machines to reduce cycle time.
- d) Energy efficient air dryers installed.

II. TECHNOLOGY ABSORPTION

FORM B

Form of disclosure of particulars in respect of absorption of technology, research and development.

1.)	Specific areas in which R & D is carried out by the company	1.) High speed bush manufacturing technique is under development. 2.) New Technology is developed for large diameter thrust washer manufacturing.
2.)	Benefits derived as a result of above	1.) Increased Productivity 2.) Reduced Lead time & less scrap generation
3.)	Future plan of action	To counter the rising raw material prices company will strengthen a.) Productivity Improvement Programmes b.) Optimum Plant Utilization c.) Vendor Development Programmes
4.)	Expenditure on R & D	Capital WIP : Rs. 08.54 lacs Recurring : Rs. Nil

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

1.)	Efforts in brief, made towards Absorption, Adoption	Hi-tech plating plant installed
2.)	Benefits derived as a result of above effort e.g. product improvement, cost reduction, product development.	a) High Productivity b) Improved Quality
3.)	In case of imported technology (imported during last 5 years recorded from the beginning of the financial year)	

FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to export initiative for development of new export markets for products, services & exports.	We are exporting our products to U.K., Egypt, Spain, Israel, U.S.A. Additional applications are under development for export.
Total foreign exchange used and earned.	Used Imports : Rs. 87.46 lacs Deemed Export Worth : Rs. 782.16 lacs

Place: Kolhapur
Date: 20th May 2007

For and on behalf of the Board of Directors
Ram Menon
Chairman

Annexure to the Director's Report For The Year 2006 - 2007

Statement showing particulars of employees drawing more than Rs 24 lacs per annum or Rs 2 lacs per month

Sr. No.	Name of employee	Designation	Nature of employment whether contractual or otherwise	Other terms and conditions	Nature of Duties	Qualification & Experience	Date of commencement of employment	Age	Last employment held	% of equity shares held by the employee	Remuneration
1	Mr. Nitin Menon	Joint Managing Director	Contractual	As applicable to other senior executives of the company	Joint Managing Director	B.com Has 15 years of entrepreneurial experience	01 - 10 - 1992	40 Years	Menon Bearings Ltd.	29.67 %	3038772

Report on Corporate Governance

For The Financial Year 2007 - 2008

Corporate Governance Philosophy

The company has been implementing the code of corporate governance during the financial year in terms of Clause 49 of the listing agreement entered into by the company with the Bombay Stock Exchange Ltd. The company's philosophy of Corporate Governance can be witnessed from the practices that stems from culture and mindset of the organization. It is aimed at assisting the top management in the efficient conduct of its business and fulfilling its obligations towards the Government, shareholders, employees, stakeholders and public at large. The governance is strongly guided by transparency, accountability, integrity, values and commitment in all facets of its operations.

In fact the company has been practicing good corporate governance from the inception though it was not a strong demand of time those days. The company will be striving to follow the good practice of corporate governance in future also.

1.0 Board of Directors

Your Board includes eminent professionals who have excelled in their respective areas of specialization and comprises of professionals drawn from technical, management and finance field.

The Board of directors of the company consists of 6 directors, 3 of them are Executive directors. Among the remaining, two are Non-Executive directors and one is independent director. There is no institutional nominee on the Board.

1.1 Constitution of the Board-as on 31-3-2007

Sr.	Name of Director	Status*	No. of other Directorships	No. of other committees memberships	
				Chairman	Membership
1.	Mr. Ram Menon	NED	8	Nil	Nil
2.	Mr. Sachin Menon	NED	4	1	1
3.	Mr. R. D. Dixit	VCMD	3	3	3
4.	Mr. Nitin Menon	JMD	6	Nil	1
5.	Mr. T. K. Guha	ED	1	Nil	Nil
6.	Mr. Kumar Nair	NED(I)	9	1	Nil

*Status

NED- Non-Executive Director

VCMD-Vice Chairman & Managing Director

JMD-Joint Managing Director

ED-Executive Director

NED(I)- Non Executive & Independent Director

1.2 Board Procedure

1.2.1 Board Meetings:

During the financial year 2006-2007 the Board met five times. The annual calendar of meetings is agreed upon at the beginning of each financial year. The meetings are governed by a detailed agenda with comprehensive background information to enable the Board to take informed decisions. The Board papers are circulated to all the directors well in advance. The details of the meetings of Board and committees held during the financial year 2006-2007 and attendance thereto are as follows:

The details of attendance of each director at the Board, Audit Committee, Share Transfer and Investors Grievance Committee and last Annual General Meeting held during financial year 2006-07 are as follows:

Sr.	Name of Director	BM	ACM	STIGC	AGM
1.	Mr. Ram Menon	4	N.A.	N.A.	Yes
2.	Mr. Sachin Menon	3	N.A.	N.A.	Yes
3.	Mr. R. D. Dixit	3	4	19	Yes
4.	Mr. Nitin Menon	4	4	N.A.	Yes
5.	Mr. T. K. Guha	4	N.A.	N.A.	Yes
6.	Mr. Kumar Nair	1	3	N.A.	No

Note:

BM- Board Meeting

ACM- Audit Committee Meeting

STIGC- Share Transfer & Investor Grievance Committee

AGM- Annual General Meeting

Mr. Sachin Menon retires by rotation and being eligible has offered himself for re-appointment.

1.2.2. Audit Committee:

The Audit Committee consists of one independent Director and two Whole-time Directors. Audit Committee is headed by Mr. Kumar Nair, Non-executive, Independent and Professional Director. The other members are Mr. R. D. Dixit, Vice Chairman & Managing Director and Mr. Nitin Menon, Joint Managing Director. Mr. Suhas Kulkarni Asst General Manager(Finance &Accounts) acts as a Secretary to the Committee.

The Audit Committee has the adequate powers and detailed terms of reference to play effective role as required under the provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai.

The Audit Committee has the adequate powers and detailed terms of reference to play effective role as required under the provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai.

1.2.2 Share Transfer and Investor Grievance Committee:

Mr. R. D. Dixit, Vice Chairman & Managing Director, is the Chairman of the committee. Mr. Suhas Kulkarni, AGM-Finance &Accounts is the other member, as well as a Secretary to the Committee and Compliance Officer

The total number of complaints received from the shareholders and redressed during the year were 127 and no complaint was pending as on 31st March, 2007.

GENERAL SHAREHOLDER INFORMATION

General Body Meetings:

The last three AGMs were held on 6-8-2004, 6-8-2005 and 25-08-2006 at the registered office of the company at G-1, MIDC Gokul Shirgaon, Kolhapur-416 234. In the last AGM held on 25th August, 2006 the company has not passed any special resolution.

During the year ended 31st March, 2007 no resolutions have been passed through postal ballot.

Disclosures:

Disclosures on materially significant related party transactions that may have potential conflict with the interests of the large:

None of the transactions with any of the related parties were in conflict with the interest of the company.

Means of communication : Unaudited quarterly results are normally published in Economic Times (English), Maharashtra Times (Marathi) and Daily Pudhari (Marathi).

General Shareholder Information

Annual General Meeting

Date and Time : 31 stAugust, 2007 at 10.30 a.m.
Venue : Registered office of the company at
G-1, MIDC Gokul Shirgaon, Kolhapur-416234

Board of Directors

Date	Members	Attended
23-05-2006	6	2
24-06-2006	6	5
30-07-2006	6	6
29-10-2006	6	3
28-01-2007	6	4

Audit Committee

Date	Members	Attended
24-06-2006	3	2
30-07-2006	3	3
29-10-2006	3	2
28-01-2007	3	2

Share Transfers & Investors Grievance Committee

Date	Members	Attended
05-04-2006	3	3
20-04-2006	3	3
05-05-2006	3	3
20-05-2006	3	3
05-06-2006	3	3
20-06-2006	3	3
05-07-2006	3	3
25-08-2006	3	3
20-09-2006	3	3
05-10-2006	3	3
20-10-2006	3	3
03-11-2006	2	2
20-11-2006	2	2
05-12-2006	2	2
20-12-2006	2	2
05-01-2007	2	2
20-01-2007	2	2
05-02-2007	2	2
20-03-2007	2	2

Tentative financial calendar for 2007-08

- | | | |
|----|--|----------------------------|
| 1. | Results for the quarter ending June 30, 2007. | Last week of July 2007 |
| 2. | Results for the quarter ending September 30, 2007 | Last week of October 2007 |
| 3. | Results for the quarter ending December 31, 2007 | Last week of January, 2008 |
| 4. | Audited Results for the year ending March 31, 2008 | Last week of May 2008 |

Record Date: 31st August, 2007
Dividend payment date: On or before 30th September, 2007
Stock Exchange where shares are listed: Bombay Stock Exchange Ltd., Mumbai
Stock code: 523828

Market price data

Month	Month's High in Rs.	Month's Low in Rs.	Month	Month's High in Rs.	Month's Low in Rs.
April, 2006	111.85	92.25	October, 2006	82.90	66.15
May, 2006	110.75	72.00	November, 2006	79.00	62.00
June, 2006	85.00	59.00	December, 2006	70.50	59.50
July, 2006	77.45	59.00	January, 2007	72.40	65.00
August, 2006	80.20	65.00	February, 2007	74.00	65.00
September, 2006	77.95	64.40	March, 2007	75.00	60.10

Registrar & Transfer Agents

Intime Spectrum Registry Ltd.
c-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup(w),
Mumbai-400 078
Ph. (022) 2596 3838
Fax 2596 2691
Email : isrl@intimesprctum.com

Share Transfer System:

Presently, the share transfers which are received in physical form are processed within a period of 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respect. The share transfers received by the company are sent to the Registrar and Transfer Agents (R & T Agent). After the share transfer is effected, duly transferred share certificate is sent to transferee

Distribution of shareholding as on 31st March, 2007.

Shareholding of Nominal Value of Rs.	Shareholders		Share Amount Rs.	% of Total
	No.	%		
1-5,000	6050	94.59	9432030	20.19
5,001-10,000	204	3.18	1695670	3.63
10,001-20,000	80	1.25	12,04,840	2.58
20,001-30,000	22	0.34	541800	1.16
30,001-40,000	6	0.09	2,15,200	0.46
40,001-50,000	16	0.25	7,86,300	1.68
50,001-1,00,000	7	0.10	5,35,020	1.14
1,00,001 and above	11	0.17	3,22,89,140	69.14
Total	6396	100.00	4,67,00,000	100.00

Dematerialisation of shares:

39.35 % of the company's shares have been dematerialised up to 31st March, 2007.

Transfer of unclaimed amounts to Investor Education and Protection Fund

During the year under review the company has credited a sum of Rs.2,18,574/- to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund(Awareness and Protection of Investor) Rules, 2001. This unpaid dividend related to the F.Y. 1998-99 Unpaid dividends for F.Y. 1997-98 has already been credited to Investor Education and Protection Fund in last year.

Plant Location And Investor Correspondence Address:

G-1, MIDC Gokul Shirgaon, Kolhapur-416 234

Management Discussion & Analysis :

The operations of your company comprise Auto Components

A. Industry Review :

The automobile market, especially commercial vehicle and car markets showed a good progress during the year under review. The production of the OEMs has been increased robustly.

The raw material prices are reaching the sky. But your company has already initiated the process of price revision from all the customers and almost all the customers are positive.

B. Future Outlook :

With the growing competition and increase in raw material prices your company's raw material consumption may rise. But company has already initiated the process of price revision which may nullify the effect on profitability.

In the year under review your company has received many enquiries across the globe which were taken care of very successfully. This may lead to substantial increase on the export front and consequently in sales.

C. Concerns & Threat :

The signs of competitive pressure from domestic as well as foreign manufacturers are noticed. Company is trying to cope with it by developing new cost effective products by developing advanced manufacturing techniques.

D. Future Challenge

The future challenge for the company will be to gear up to develop new techniques and new products with different raw material mix. To meet the demands of high performance quicker manufacturing methods has to be adopted.

Declaration under Cl. 49 I (D) (ii) by the Managing Director of affirmation by the Board of Directors and Senior Management of Compliance with Code of Conduct

The Shareholders,

I, Nitin Menon, Joint Managing Director, do hereby declare that all the members of the Board and Senior Management personnel have affirmed code of conduct for the Board of directors and Senior Management of Menon Bearings Ltd. made w.e.f. 1st April, 2005.

Place: Kolhapur
Date: 20-5-2007

Nitin Menon
Joint Managing Director

The Auditor's Certificate on Corporate Governance

**M/S P. M. VARDHE & CO.
CHARTERED ACCOUNTANTS
630, "E", Shahupuri, 1st Lane,
Kolhapur-416001**

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Menon Bearings Limited

We have examined the compliance of conditions of corporate governance by Menon Bearings Limited, for the year ended on 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange, Mumbai.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company had complied with the conditions on Corporate Governance as stipulated in the above mentioned Listing Agreement, except the norms prescribed for the appointment of Independent Directors.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer and Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Place : Kolhapur
Date : 20-05-2007**

**M/S P. M. VARDHE & CO.
Chartered Accountants,**

**P . M. Vardhe
Proprietor**

Certification by Managing Director & Chief Financial Officer to the Board

We, R. D. Dixit, Vice Chairman & Managing Director, & Suhas Kulkarni, AGM, Finance & Accounts of Menon Bearings Limited, certify that :

1. We have reviewed the financial statements for the year & that to the best of our knowledge & belief :
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
 - b) these statements give a true & fair view of the state of affairs of the company & of the results of operations & cash flows. the financial statements have been prepared in conformity, in all material respects , with the existing generally accepted accounting principles including Accounting Standards, applicable laws & regulations.
2. There are, to the best of our knowledge & belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept overall responsibility for the company's internal control system for financial reporting. This is monitored by the internal audit function, which encompasses the examination & evaluation of the adequacy & effectiveness. Internal audit works with all levels of management & statutory auditors, & reports significant issues to the audit Committee of the Board. The auditors & audit committee are appraised of any corrective action taken with regard to significant deficiencies & material weaknesses.
4. We indicate to the auditors & to the audit committee :
 - a) significant changes in internal control over financial reporting during the year
 - b) significant changes in accounting policies during the year
 - c) instances of significant fraud of which we have become aware of & which involve management or other employees who have significant role in the company's internal control system over financial reporting.

However, during the year there were no such changes or instances.

R. D. Dixit,
Vice Chairman & Managing Director

Suhas Kulkarni,
AGM - Finance & Accounts

Place : Kolhapur
Date : 20.05.2007

The Auditor's Report

to the Members of Menon Bearings Ltd.

M/s. P. M. VARDHE & Co.
CHARTERED ACCOUNTANTS
630, "E", Shahupuri, 1st lane, Kolhapur 416 001

We have audited the attached Balance Sheet of M/s. Menon Bearings Limited, as at 31st March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit :
- 2) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account.
- 4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- 5) On the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007, and
 - b) In the case of the Profit and Loss Account, of the profit of the Company, for the year ended on that date.
 - c) In case of Cash Flow statement of the Cash Flows of the Company, for the year ended on that date.

Place: Kolhapur
Date: 20-05-2007

For M/s. P.M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Annexure to the Auditor's Report

annexure referred to in para 1 of auditor's report of even date

- I) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) The fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
c) During the year, the company has not disposed off any major part of the plant and machinery.
- II) a) The physical verification of inventory has been conducted during the year by the management at reasonable intervals.
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.
- III) a) The Company has not granted loans to another Company covered in the register of contracts maintained under Section 301 of the Act.
b) The question of rate of interest and other terms and conditions does not arise.
c) There is no question of receipts of the principal amount and interest and overdue amount.
d) The Company has taken loans from other parties covered in the register maintained under Sec. 301 of the Act. Number of Parties are Two and the amount involved is Rs. 28.00 lacs, and present outstanding balance is NIL.
e) The rate of interest and other terms and conditions of loans taken by the Company were not prima facie prejudicial to the interest of the Company.
f) Payment of principal amount and interest were also regular.
- IV) There is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
a) The particulars of contracts and arrangements referred to in Section 301 of the Act, have been entered in the register required to be maintained under that section, and
b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI) The Company has not accepted any deposits from the public.
- VII) The company is a listed company and it has an internal audit system commensurate with the size and nature of its business.
- VIII) On broad review of books of accounts maintained by the Company pursuant to the rules made by the Central Government for maintaining cost records under Section 209 (1) (d) of the Companies Act, 1956, we are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not however, made a detailed examination of the same.
- IX) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, Service Tax, custom duty, excise-duty, and other statutory dues applicable to it. In our opinion, there are no arrears of outstanding dues as on the last day of the financial year concerned for a period of more than six months.
b) In case of Provident Fund / Sales Tax / Wealth Tax / Service Tax / Custom Duty / Cess, there are no such dues which are not deposited on account of any dispute.

- X) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit report or in immediately preceding financial year.
- Xi) The company has not defaulted in repayment of dues to banks or financial institution.
- XII) The company has not granted any loans advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII) Provisions of any special statute applicable to chit fund in respect of nidhi / mutual benefit fund/ societies are not applicable to the Company.
- XIV) The Company is dealing or trading in shares, securities, debentures and other investments. Company has maintained proper records of the transactions and timely entries have been made in these records. We also report that the company has held the shares, securities, debentures and other investments in its own name.
- XV) The Company has offered Corporate Guarantee to UTI Bank Limited, Kolhapur for loans of Rs. 1077.00 lacs taken by it's subsidiary M/s. Menon Alkop Private Ltd. & MB Autocomponents Private Limited for loans of Rs. 50.00 lacs. According to the information and explanation given to us, we are of the opinion that, the terms and conditions thereof are not prima-facie prejudicial to the interests of the Company.
- XVI) The Company has applied the term loans, for the purpose for which they were obtained.
- XVII) According to the information and explanation given to us, we are of the opinion that the Company has not utilized short term funds towards long term investment.
- XVIII) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
- XIX) The Company has not issued any debentures.
- XX) The Company has not made any public issue of shares during the period covered by our audit report.
- XXI) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

Place: Kolhapur
Date: 20 - 05 - 2007

For M/s. P.M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Menon Bearings Limited

Balance Sheet

as at 31st March, 2007

PARTICULARS	SCHEDULES	31.03.2007	31.03.2006
SOURCES OF FUNDS:			
1.SHAREHOLDER'S FUNDS			
a. Share Capital	A	4,67,00,000	4,67,00,000
b. Reserves & Surplus	B	11,73,28,221	10,61,45,243
		<hr/>	<hr/>
		16,40,28,221	15,28,45,243
2. LOAN FUNDS			
a. Secured Loans	C	12,60,13,931	11,84,38,102
b. Unsecured Loans	D	5,02,51,303	4,90,89,679
		<hr/>	<hr/>
		17,62,65,234	4,90,89,679
3. DEFERRED TAX LIABILITY			
		40,49,283	57,91,814
Total Rs.		<hr/> <hr/>	<hr/> <hr/>
		34,43,42,738	32,61,64,838
APPLICATION OF FUNDS			
4. FIXED ASSETS			
Gross Block	E	21,19,60,984	
Less : Depreciation		11,59,87,661	
Net Block		<hr/>	
		9,59,73,323	9,26,24,132
Capital Work in process		8,54,608	45,79,076
5. INVESTMENTS			
	F	4,67,67,790	4,02,05,590
6. CURRENT ASSETS LOANS & ADVANCES			
G			
Inventory		6,30,57,447	4,28,11,581
Sundry Debtors		9,48,20,461	6,21,81,739
Cash and Bank Balances		4,47,03,672	7,77,87,388
Loans And Advances		13,36,46,883	11,63,80,563
		<hr/>	<hr/>
TOTAL		33,62,28,463	29,91,61,271
Less : CURRENT LIABILITIES & PROVISIONS H			
a. Current Liabilities		3,65,36,888	2,96,61,094
b. Provisions		9,89,44,558	8,07,44,136
		<hr/>	<hr/>
TOTAL		13,54,81,446	11,04,05,230
Net Current Assets		20,07,47,017	18,87,56,041
7. MISCELLANEOUS EXPENDITURE			
		<hr/>	<hr/>
TOTAL		34,43,42,738	32,61,64,839
		<hr/> <hr/>	<hr/> <hr/>
Notes forming part of Accounts	Q		

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants
P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 20.05.2007

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

NITIN MENON
Joint Managing Director

Suhas Kulkarni
AGM, Finance & Accounts

Menon Bearings Limited

Profit & Loss Account

for the year ended
31st March, 2007

PARTICULARS	SCHEDULES	31.03.2006	31.03.2005
1. INCOME			
Sales	I	30,28,60,776	24,56,77,210
Other Income	J	48,67,450	72,72,662
Increase / (Decrease) In Stock	K	8,949,272	12,34,970
TOTAL		31,66,77,498	25,41,84,842
2. EXPENDITURE			
Raw Material & Stores Consumed	L	15,17,62,883	10,96,00,072
Manufacturing Expenses	M	3,17,30,871	2,84,83,762
Payments to & Provision For Employees	N	3,53,49,659	2,54,80,412
Admin., Selling & Distribution Expenses	O	2,96,34,258	3,15,51,433
Cost of Finance	P	1,27,85,405	1,10,36,545
Depreciation		1,68,32,002	1,60,84,048
Preoperative Expenses W/O			
TOTAL		27,80,95,078	22,22,36,272
3. PROFIT BEFORE TAXATION		3,85,82,420	3,19,48,570
Provision for Income Tax (Current)	1,50,00,000	1,36,17,469	1,15,93,024
Deferred Tax Liability / (Assets)	-17,42,531		
Fringe Benefit Tax Liability	3,60,000		
4. PROFIT AFTER TAXATION		2,49,64,951	2,03,55,546
5. Balance of Profit as per last Balance Sheet	8,61,45,243		
Add: Previous Year Adjustments for Taxation			
Less: Previous Year Expenses	1,22,807	8,60,22,436	7,96,04,625
6. BALANCE PROFIT AVAILABLE FOR APPROPRIATION		11,09,87,387	9,99,60,171
7. APPROPRIATIONS			
Dividend	1,16,75,000		
Tax on Dividend	19,84,166		
General Reserve	24,00,000	1,60,59,166	1,38,14,928
8. BALANCE OF PROFIT CARRIED TO BALANCE SHEET		9,49,28,221	8,61,45,243
9. Notes to Accounts	Q		
10. Basic and Diluted Earning per Share		5.35	4.36

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor
Place : Kolhapur
Date : 20.05.2007

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

NITIN MENON
Joint Managing Director

Suhas Kulkarni
AGM, Finance & Accounts

Menon Bearings Limited

Cash Flow Statement for the year 2006-2007

(in Rs. Lacs)

Particulars	31-3-07	31-3-06
Cash Flow from operating activity		
Net Profit before tax and extraordinary items	375.86	308.55
Profit after taxation	249.65	
Previous Year Expenses	(1.23)	
Provision for Income Tax (Current)	136.17	
Cost of Finance	127.85	
Dividend	<u>(136.59)</u>	
Add : Adjustments for		
Depreciation	168.32	160.84
Operating Profit before working capital change	<u>544.18</u>	<u>469.39</u>
Adjustments for		
Trade & Other Receivables	499.05	
Inventory	202.45	
Trade Payable	(245.58)	200.03
Cash Generated from operations	<u>88.25</u>	<u>269.36</u>
Interest Paid	127.85	110.37
Direct Taxes Paid	136.17	115.93
Cash Flow before Extra Ordinary Items	<u>(175.78)</u>	<u>43.06</u>
Extra Ordinary Items	NIL	NIL
Net Cash from Operating Activities	<u>175.78</u>	<u>43.06</u>
Cash Flow from Investing Activities		
Purchase of Fixed Assets	185.40	
Sale of Fixed Assets	(20.83)	
Purchase of Investments	65.62	
Net Cash used in Investing Activities	230.19	157.63
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings	(11.62)	
Repayment of Finance	<u>(63.52)</u>	
Net cash used in financing activities	<u>(75.14)</u>	<u>(164.30)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	<u>(330.83)</u>	<u>49.73</u>
Cash and Cash Equivalents as at 31.03.2006	447.04	
Cash and Cash Equivalents as at 01.04.2005	<u>777.87</u>	
Total	<u>(175.78)</u>	<u>43.06</u>

As per our report of even date attached

M/s. P. M. Vardhe & Co.

Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 20.05.2007

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

NITIN MENON
Joint Managing Director

Suhas Kulkarni
AGM, Finance & Accounts

Schedules A to Q

annexed to & forming part of the
Balance Sheet as at and Profit & Loss
Account for the year ended 31st March 2007

Particulars	31.03.2007	31.03.2006
Schedule "A" : Share Capital		
Authorised: 50,00,000 Equity Shares of Rs.10 each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued,Subscribed and paid up : 46,70,000 Equity Shares of Rs.10 each fully paid	<u>46,700,000</u> <u>46,700,000</u>	<u>46,700,000</u> <u>46,700,000</u>
Schedule "B" : Reserves and Surplus		
General Reserve	1,75,00,000	
Add : Current Year	<u>24,00,000</u>	19,900,000
Sub-Total	1,99,00,000	17,500,000
Capital Reserve	2,500,000	2,500,000
Profit & Loss Account	<u>94,928,221</u>	<u>86,145,243</u>
TOTAL	<u>117,328,221</u>	<u>106,145,243</u>
Schedule "C" : Secured Loans		
a) The United Western Bank Ltd.		
Loan Against FDR		9,957,270
b) UTI Bank Ltd		
1) Term Loan	24,861,250	31,237,181
2) Cash Credit	57,055,554	55,831,219
(Against hypothecation of Land, building, Plat & Machinery & stock)		
All the above Secured Loans have been jointly & severally guaranteed by Mr. Ram Menon & Mr. Nitin Menon		
3) Loan against FDR.	11,364,052	32,78,564
c) State Bank of India		
1) Cash Credit	30,217,216	
(Against hypothecation of Land, building, Plat & Machinery & stock)		
All the above Secured Loans have been jointly & severally guaranteed by Mr. Ram Menon & Mr. Nitin Menon		
d) Car Loans		
ICICI Bank Ltd.	679,492	1,353,467
HDFC Bank Ltd.	1,127,736	
State Bank of India	708,631	
TOTAL		
Schedule "D" : Unsecured Loan		
Interest free Sales Tax Loan from SICOM (Under the incentive scheme of Government of Maharashtra)	50,251,303	49,089,679
	<u>50,251,303</u>	<u>49,089,679</u>
Schedule "E" : Fixed Assets - please refer page 25		

SCHEDULE "E"
FIXED ASSETS SCHEDULE FOR THE YEAR 2006-2007 (in Rs.)

NO.	DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		OP.BAL. AS ON 01-04-2006 Rs.	ADDITIONS Rs.	DELETION Rs.	CL.BAL. AS ON 31-03-2007 Rs.	Upto 31.03.2006 Rs.	FOR THE YEAR Rs.	ADJUST- MENTS Rs.	TOTAL Rs.	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
1	LAND (Lease hold)	1,037,164	—	—	1,037,164	111,840	9,320	—	121,160	916,004	925,324
2	LAND (Free hold)	52,500	—	—	52,500	—	—	—	—	52,500	52,500
3	SITE DEVELOPMENT	3,871,789	84,896	—	3,956,685	—	—	—	—	3,956,685	3,871,789
4	BUILDING	38,868,174	—	—	38,868,174	7,345,481	1,298,197	—	8,643,678	30,224,496	31,522,693
5	PLANT AND MACHINERY	111,553,569	18,126,701	—	129,680,270	71,975,820	12,496,810	—	84,472,630	45,207,640	39,577,749
6	OFFICE EQUIPMENTS	2,001,008	118,804	—	2,119,812	636,741	99,139	—	735,880	1,383,932	1,364,267
7	TOOLS AND IMPLEMENTS	8,802,596	280,872	—	9,083,468	6,946,720	921,349	—	7,868,069	1,215,398	1,855,876
8	MATERIAL HANDLING EQUIP.	373,092	—	—	373,092	143,878	38,578	—	182,456	190,636	229,214
9	MISCELLANEOUS ASSETS	206,863	16,804	—	223,667	190,021	16,958	—	206,979	16,688	16,842
10	TECHNICAL KNOW HOW	5,244,590	—	—	5,244,590	5,011,691	232,899	—	5,244,590	0	232,899
11	ELECTRICAL INSTALLATION	4,639,230	170,651	—	4,809,881	2,636,640	484,915	—	3,121,555	1,688,326	2,002,594
12	FURNITURE	2,664,372	424,025	—	3,088,397	903,054	191,092	—	1,094,146	1,994,252	1,761,318
13	FIRE FIGHTING EQUIPMENTS	46,760	—	—	46,760	36,162	4,835	—	40,997	5,763	10,598
14	VEHICLE	8,109,721	1,861,071	2,505,751	7,465,041	1,926,401	625,825	422,954	2,129,272	5,335,769	6,183,320
15	COMPUTERS	2,018,731	1,180,166	—	3,198,897	1,443,136	252,509	—	1,695,645	1,503,252	575,595
16	ELECTRICAL FORKLIFT	323,154	—	—	323,154	79,886	33,414	—	113,300	209,854	243,268
17	EFFLUENT TREATMENT PLANT	2,389,432	—	—	2,389,432	191,142	126,162	—	317,304	2,072,128	2,198,290
	TOTAL	192,202,745	22,263,990	2,505,751	211,960,984	99,578,612	16,832,002	4,22,954	115,987,661	95,973,323	92,624,136
	PREVIOUS YEAR	190,650,609	11,138,482	9,586,346	192,202,745	84,496,649	16,084,048	1,002,086	99,578,611	92,624,132	106,153,960

Schedule "F" : Investment (At cost)**Non Trade (unquoted)**

1) 49000 Equity Shares of MB Autocomponents Pvt. Ltd. of Rs.10/- each	490,000	490,000
2) 43,90,000 Equity Shares of Menon Alkop Pvt. Ltd. of Rs. 10/- each	43,900,000	38,315,000
3) 10,925.977 units of SBI Mutual Fund @ Rs. 36.61 each	400,000	

Trade (Quoted)

1) 500 Equity Shares of Bank of Maharashtra of Rs.23 each (Market value as on 31.03.2007 Rs. 38.15/- per share)	11,500	11,500
2) 444 Equity Shares of Pentasoft Technologies Ltd of Rs.901.67 each. (Market value as on 31.03.2007 Rs. 1.30 per share)	400,340	400,340
3) 1100 Equity Shares of Global Telesystems Ltd. of Rs.898.86 each (Market value as on 31.03.2007 Rs. 134.45 per share)	988,750	988,750
4) 11,100 Shares of Transwarranty Finance Ltd.@ Rs. 52 each (Market value as on 31.03.2007 Rs. 36.35 per share)	577,200	

TOTAL	<u>46,767,790</u>	<u>40,205,590</u>
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Schedule "G" : Current Assets, Loans and Advances**Inventories**

a) Raw Material	19,127,263	8,526,510
b) Stores & Spares	3,095,863	2,400,022
c) Finished goods	28,331,828	19,735,217
d) Work in Process	12,502,493	12,149,832
TOTAL	<u>63,057,447</u>	<u>42,811,581</u>

Sundry Debtors

(Unsecured, considered good)		
Outstanding for a period exceeding 6 months	24,878,646	2,318,893
Other Debts	69,941,815	59,862,846
TOTAL	<u>94,820,461</u>	<u>62,181,739</u>

Cash & Bank balances

a) Cash in Hand	205,629	158,004
b) Balances with Banks		
i) In Current A/c(s) With scheduled banks	6,131,275	9,750,086
ii) In Fixed Deposits	38,366,768	67,879,298
TOTAL	<u>44,703,672</u>	<u>77,787,388</u>

Loans & Advances

Other advance	1,537,900	323,898
Staff advance	574,858	342,307
Advances to Directors		2,842,322
Interest accrued but not received	4,716,060	5,801,974
Other Deposits	1,528,109	1,569,079
Prepaid expenses	636,323	847,875
Telephone deposit	27,050	27,050

Water deposit	128,765	128,765
Advance Income Tax	84,059,326	68,275,933
Fringe Benefit Tax	352,353	-
Advance to Suppliers	9,842,194	8,702,343
Excise Duty	1,762,979	2,709,432
Service Tax	745,066	703,315
Educational Cess	-	-
VAT Refund Receivable	332,630	332,630
Interest free unsecured loan to Menon Alkop Pvt. Ltd.	27,403,278	23,773,641
TOTAL	133,646,890	116,380,563
Total Current Assets	336,228,471	299,161,270

Schedule "H" : Current Liabilities and Provisions

Current Liabilities

Sundry Creditors	22,098,858	23,694,171
Sales Tax Payable	2,339,817	1,439,001
Liability for expenses and other liabilities	12,098,214	4,527,923
TOTAL	36,536,888	29,661,094

Provisions

Provision for expenses	4,393,229	3,869,806
Unpaid Dividend	2,178,220	2,026,123
Proposed Dividend	11,675,000	10,274,000
Tax on Dividend	1,984,166	1,440,928
Company Income Tax	77,000,000	62,000,000
Fringe Benefit Tax	810,000	450,000
Leave Encashment	903,943	683,279
TOTAL	98,944,558	80,744,136

Total Current Liabilities & Provisions

135,481,446	110,405,230
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Schedule "I" : Sales

1. Bearing Sale	108,799,122	88,009,161
2. Bush Sale	136,819,175	105,286,418
3. Thrust Washer Sale	54,471,368	47,547,989
4. Strip Sale	2,771,112	2,542,395
5. Endshield Sale (with bush)		2,291,248
TOTAL	302,860,776	245,677,210

Schedule "J" : Other Income

a) Interest	3,014,149	4,711,824
b) Income from other sources	296,571	451,580
c) Scrap Sale	1,534,530	1,728,156
d) Excess Provision Written off		
e) Exchange Difference		
f) Dividend from Companies	22,200	2,680
g) Profit on sale Shares		378,423
TOTAL	4,867,450	7,272,662

Schedule "K" : Increase / (Decrease) in stock of Work-in-Process and Finished Goods

Opening Stock		
Finished Goods	19,735,217	17,024,450
Work in Process	12,149,832	13,625,629
Total	<u>31,885,049</u>	<u>30,650,79</u>
Closing Stock :		
Finished Goods	28,331,828	19,735,217
Work in Process	12,502,493	12,149,832
Total	<u>40,834,321</u>	<u>31,885,049</u>
Increase / (Decrease) in Stock	<u>8,949,272</u>	<u>1,234,970</u>

Schedule "L" : Raw Material & Stores Consumed

Opening Stock		
Raw Material	8,526,510	13,135,708
Stores & Spares	2,400,022	3,135,517
Total	<u>10,926,532</u>	<u>16,251,225</u>
Add : Purchases		
Raw Material	138,978,621	83,881,912
Stores & Spares	24,080,857	20,393,488
Total	<u>163,059,863</u>	<u>104,275,379</u>
Less : Closing Stock		
Raw Material	19,127,263	8,526,510
Stores & Spares	3,095,863	2,400,022
Total	<u>22,223,126</u>	<u>10,926,532</u>
Raw Material & Stores Consumed	<u>151,762,883</u>	<u>109,600,072</u>

Schedule "M" : Manufacturing Expenses

Outside labour charges	12,907,873	13,076,124
Electricity	15,658,810	12,319,998
Water charges	674,996	639,360
Repairs & Maintenance	2,229,653	2,380,557
Electric Material	259,540	67,723
TOTAL	<u>31,730,871</u>	<u>28,483,762</u>

Schedule "N" : Provisions for and Payments to employees

Salary and Wages	32,762,850	23,373,027
Labour Welfare	350,423	422,512
Contribution to Provident Fund	1,871,475	1,329,727
Contribution to Group Gratuity Trust	364,911	355,147
TOTAL	<u>35,349,659</u>	<u>25,480,412</u>

Schedule "O" : Administrative, Selling & Distribution Expenses

Rent, Rates and Taxes	299,232	192,167
Insurance	876,012	680,643
Freight Outward	1,303,395	1,342,211
Legal & Consultation	1,163,256	949,217
Postage, Telephone	773,243	827,143
Business Expenses	499,854	500,127
Sales Promotion Expenses	17,577,803	21,264,146
Printing & Stationery	653,212	722,176
Vehicle & Conveyance Expenses	917,745	655,067
Other Expenses	2,983,058	1,982,552
Traveling Expenses	603,444	997,906
Sitting Fees	21,000	20,000
Advertisement	185,242	396,710
Audit Fees	65,000	65,000
Foreign Tour Expenses	649,963	—
Establishment Expenses	380,000	340,000
Loss on sale of Fixed Assets	682,797	616,368
TOTAL	29,634,258	31,551,433

Schedule "P" : Cost of Finance

Interest	11,201,906	10,375,894
Bank Commission & Other Charges	1,583,499	660,652
TOTAL	12,785,405	11,036,545

**Schedule "Q" : Notes annexed to & forming part of the
Balance Sheet as at and Profit & Loss
Account for the year ended 31st March 2007**

1).SIGNIFICANT ACCOUNTING POLICIES:

A) Basis of Accounting:

Accounts of the Company are prepared under the historical cost convention. Company has complied with Accounting Standards as recommended by Institute of Chartered Accountants of India.

B) Fixed Assets:

Fixed assets are stated at cost (net of Cenvat and MVAT wherever applicable) of appreciation less accumulated depreciation. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

C) Impairment of Fixed Assets:

The company has reviewed the carrying costs of fixed assets and does not expect any loss on account of impairment.

D) Depreciation:

1. Depreciation is charged on all the assets on Straight Line basis (SLM) at the rates and manner prescribed in schedule XIV of the Companies Act, 1956 as amended up to date.
2. The cost of leasehold land is amortised over the period of lease.

E) Investment:

Investments are stated at cost and income thereon is credited to revenue on accrual basis.

F) Inventories:

Inventories are valued at cost or market price whichever is lower. The Company has valued closing stock exclusive of excise duty as per the new guidelines.

G) Foreign Exchange Transactions:

Transactions arising in foreign currency are converted at the rates ruling on the transaction dates. There are no outstanding liabilities payable in foreign currency on the Balance Sheet date.

H) Contingent Liabilities & Provisions:

Contingent liabilities are disclosed after careful evaluation of facts and legal aspects of the matter involved. Provisions are recognized when the company has a legal obligation and on management discretion as a result of past events for which it is probable that cash outflow may be required and reliable estimate can be made of the amount of obligation.

I) Sales:

Sales are recognised on despatches to customers. Sales exclude Excise Duties and VAT.

J) Retirement Benefits:

The Company has created The Employees Group Gratuity Fund, which has taken Gratuity cum Life Insurance Policy from

Life Insurance Corporation of India. Base for gratuity is the premium paid on the above policy. Provision for leave encashment is made on the basis of Actuarial Valuation. Company's contribution to Provident Fund has been charged to Profit and Loss Account.

K) DISCLOSURE OF BORROWING COST CAPITALISED UNDER ACCOUNTING STANDARD 16.

During the year Company has capitalised certain assets. Appropriate borrowing cost directly related to asset has been capitalized under Capital Work in Process as required under A.S. 16.

L) SEGMENT REPORTING UNDER ACCOUNTING STANDARD 17

The Company operates in one business segment namely "Auto Components". Hence reporting under this standard is not applicable to the Company.

M) RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD 18

Following are the related parties under above standard.

No.	Name of Party	Nature of Transaction	Amount (Rs.)
1.	Menon Alkop Pvt. Ltd.	Investment in Shares in Subsidiary	55,85,000
		Investment as unsecured loan in Subsidiary	36,29,638
		Purchase	42,31,025
2.	MB Autocomponents Pvt. Ltd.	Sale	5,04,13,714
3.	MB Exports	Sale	7,31,92,247
4.	Mani Auto Components	Jobwork / tooling vendor	48,89,882
5.	Mani Auto Components	Purchase - Machinery	40,30,648
6.	Nitin R. Menon	Deposit Accepted	48,00,000

Mr. R. D.Dixit, Vice Chairman & Managing Director, Mr. Nitin Menon, Joint Managing Director and Mr. T. K. Guha , Executive Director are employees of the Company. Mr. Kumar Nair, Director is paid remuneration. The salary, perquisites and remuneration paid are disclosed under Note No.8 as "Managerial Remuneration". Apart from above directors, all other directors are non executive directors. The Company has not entered into any transactions with them other than the sitting fees which they have received from the Company.

Apart from above mentioned parties following parties are also related parties of the Company. However, no significant transactions took place with these parties in the year 2006-2007.

- 1) Menon & Menon Limited
- 2) Menon Engineering Services.
- 3) Menon Piston Rings Private Limited.

There are no write offs / write backs of any amount for any of the above parties during the year 2006-2007

N) LEASE ACCOUNTING AS PER ACCOUNTING STANDARD 19

Not applicable to the Company since no new lease transaction(s) took place during the year 2006-2007.

O) EARNINGS PER SHARE AS PER ACCOUNTING STANDARD 20

The basic earnings per share for the year 2006-2007 is Rs. 5.35 (Previous year Rs. 4.36). A diluted earnings per share is not applicable as the Company has not issued any Preference Shares / security / warrant / debentures which are convertible into equity shares in future.

P) CONSOLIDATED FINANCIAL STATEMENTS AS PER ACCOUNTING STANDARD 21.

As per the Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, the Company has presented consolidated financial statements separately, including subsidiaries, in this annual report.

Q) ACCOUNTING FOR TAXES ON INCOME AS PER ACCOUNTING STANDARD 22

Deferred taxes on income are computed as per accounting standard 22 and same are provided in the audited accounts at appropriate places. The details thereof are as under

Particulars	Op. Bal. 01-04-06	During the year	As on 31-03-07
Depreciation	(-) 59,31,323.00	(+) 17,42,531.00	(-) 41,88,792.00
Leave Encashment	(+) 1,39,509.00		(+) 1,39,509.00
Deferred Tax Liability	(-) 57,91,814.00	(+) 17,42,531	(-) 40,49,283.00

2. CONTINGENT LIABILITIES

- 1) Central Sales Tax and Bombay Sales Tax assessments are completed upto 31.03.2002. The liability in respect of pending assessments / appeals is unascertainable.
- 2) The Income Tax assessments are completed up to the Assessment Year 2004-2005. (relevant to Accounting year ended 31.03.2004). Liability if any, in respect of the pending assessments or appeals under the Income Tax Act, 1961 is unascertainable.
- 3) UTI Bank Ltd. and the IDBI Bank Ltd. have issued guarantees on behalf of the company for Rs. Nil (Previous Year Rs.1.97 lacs) and Letters of Credit form UTI Bank Ltd. for Rs. 121.07 lacs (Previous Year Rs.121.85 lacs)

OTHER NOTES

- 1) Previous year figures are regrouped wherever necessary to conform to current year figures.
- 2) Paise are rounded off to the nearest rupee.

3) Sundry Debtors

	Current Year	Previous Year
a) Debtors considered good in respect of which the Company is fully secured.	Nil	Nil
b) Debtors considered good for which the Company holds no security.	9,48,20,461	6,21,81,739
c) Debtors considered bad or doubtful.	Nil	Nil
d) Debts due by Private Company in which Director is Director or member.	1,37,20,243	1,32,46,348
e) Debts due by firm in which Director is Partner.	3,02,03,919	1,58,67,427

4) There are S.S.I creditors above 30 days exceeding Rs. 1.00 lac, but they are all within contractual credit period.

5) The Company has been accounting liability for Excise Duty on Finished Goods as and when they are cleared. A liability in respect of finished goods in stock at the close of the year estimated at Rs.46,73,083/- and has not been provided in the accounts nor included in the valuation of the inventory. However the said liability, if accounted, would have no impact on the profit for the year.

6) **AUDITOR'S REMUNERATION:**

	Current Year	Previous Year
As Auditor	65,000	65,000
Other Matters	28,000	8,000
Total (Rs.)	93,000	73,000

(Exclusive of Service Tax)

7) Annexure for Expenditure on employee getting remuneration not less than Rs. 24,00,000/- p.a. or Rs. 2,00,000/- p.m. is enclosed

8) **MANAGERIAL REMUNERATION:**

Details of payment and provisions on account of Remuneration to Directors included in Profit and Loss Account.

		Current Year	Previous Year
	No. of Persons	4	4
1.)	Salary	32,34,000	23,74,800
2.)	Contribution to P.F.	3,88,080	2,84,526
3.)	Other Perquisites	33,29,154	31,12,631
4.)	Remuneration	84,000	84,000
5.)	Sitting Fees	12,000	20,000
Total		70,47,234	58,75,957

9) CONSUMPTION OF RAW MATERIAL, STORES, SPARES & CONSUMABLES

No.	Particulars	Current Year		Previous Year	
		Qty (Kgs.)	Value (Rs.)	Qty (Kgs.)	Value (Rs.)
1	Copper	1,65,995	5,85,64,857	1,68,880	3,52,43,179
2	Steel Strip	10,21,808	3,63,49,969	8,19,702	2,87,05,509
3	Others		3,34,54,142		2,45,42,422
4	Stores, Spares & Consumables		2,33,93,915		2,11,08,962
	TOTAL		15,17,62,883		10,96,00,072

10) VALUATION OF IMPORTED & INDIGENOUS RAW MATERIAL, STORES, SPARES & CONSUMABLES

No.	Particulars	Current Year		Previous Year	
		%	Value (Rs.)	%	Value (Rs.)
1	Imported	5.00	75,86,942	4.66	51,06,481
2	Indigenous	94.99	14,41,62,352	95.34	10,44,93,591
	TOTAL	100.00	15,17,49,294	100.00	10,96,00,072

11) C.I.F. VALUE OF IMPORTS

No.	Particulars	Current Year (Rs.)	Previous Year (Rs.)
1	Raw Material & Consumables	75,86,942	51,06,481
2	Plant & Machinery	23,95,187	2,55,539
	TOTAL	99,82,129	53,62,020

12) EXPENDITURE IN FOREIGN CURRENCY

No.	Particulars	Current Year	Previous Year
1	Raw Material & Consumables	63,27,876	42,62,279
2	Plant & Machinery	18,04,510	1,93,348
3	Foreign tour expenses	6,15,073	2,43,410
	TOTAL	87,47,459	46,99,037

13) PARTICULARS IN RESPECT OF EACH CLASS OF GOODS MANUFACTURED BY THE COMPANY

Sr. No.	Particulars		Bearings / Bushes / Thrust Washers		Bi-Metal Strips (Kgs)		Others	
			Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
a)	Registered Capacity	Nos.	6,00,00,000	6,00,00,000				
b)	Installed Capacity	Nos.	1,80,00,000	1,80,00,000				
c)	Actual Production	Nos.	1,61,53,533	1,34,25,002	1,09,751	12,683		
d)	Opening Stock							
	1.) Quantity	Nos.	18,28,557	16,69,642				
	2.) Value	Amt.	1,97,35,216	1,70,24,450				
e)	Closing Stock							
	1.) Quantity	Nos.	19,48,132	18,28,557				
	2.) Value	Amt.	2,83,31,828	1,97,35,216				
f)	Turnover							
	1.) Quantity	Nos.	1,60,33,958	1,32,66,087	1,09,751	12,683		
	2.) Value	Amt.	30,00,89,665	24,08,43,567	27,71,111	25,42,395		22,91,248

Menon Bearings Limited

Balance Sheet Abstract & Company's General Business Profile

REGISTRATION DETAILS

Registration No. : 062352
 Balance sheet Date : 31.03.2007
 Capital raised during the year : Nil

State Code 11

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Rs. in 000)

TOTAL LIABILITIES	344,343	TOTAL ASSETS	344,343
SOURCES OF FUNDS			
Paid - up capital	46,700	Reserves & Surplus	117,328
Secured Loans	126,014	Unsecured Loans	50,251
Defered Tax Liability	4,049		
APPLICATION OF FUNDS			
Net Fixed Assets	96,828	Investment	46,768
Net Current Assets	200,747	Miscl. Expenditure	—
Accumulated Losses	Nil		

PERFORMANCE OF THE COMPANY

Turnover	316,677	Total Expenditure	278,095
Profit before tax	38,582	Profit after tax	24,965
Earning per share in Rs.	5.35	Dividend	25 %

GENERIC NAME OF THREE PRINCIPLE PRODUCTS OF THE COMPANY

Item Code No. (ITC code No.)	3563
Product Description	Thin Walled Engine Bearings
Item Code No. (ITC code No.)	3563
Product Description	Bushings
Item Code No. (ITC code No.)	3563
Product Description	Thrust Washers

As per our report of
even date attached

M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 20.05.2007

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

NITIN MENON
Joint Managing Director

Suhas Kulkarni
AGM, Finance & Accounts

Menon Bearings Ltd. Consolidated Financial Results

ANNUAL REPORT 2006 - 2007

Auditor's Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS
Menon Bearings Limited,

We have examined the attached Consolidated Balance Sheet of Menon Bearings Limited ("The Company") and its subsidiary as at 31st March, 2007 and the Consolidated Profit and Loss Account for the year then ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that, we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiary company, whose financial statements reflect total assets (net) of Rs.16.65 crores as at 31st March, 2007 and total revenues of Rs.3.61 crores for the year then ended. These financial statements have been audited by the auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21. Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiary, we are of the opinion that the said consolidated financial statements given a true and fair view in conformity with the accounting principles generally accepted in India.

- A) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the Company and its subsidiary as at 31st March, 2007.
- B) In the case of Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiary for the year then ended and,
- C) In the case of the Consolidated Cash Flow Statement of the consolidated cash flows of the Company and its subsidiary for the year then ended.

Place: Kolhapur
Date: 20-05-2007

For M/s P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Consolidated Balance Sheet

as at 31st March, 2007

PARTICULARS	SCHEDULES		31.03.2007	31.03.2006
SOURCES OF FUNDS:				
1.SHAREHOLDER'S FUNDS				
a. Share Capital	A	46,700,000	144,496,013	46,700,000
b. Reserves & Surplus	B	97,796,013		100,675,057
Total			144,496,013	147,375,057
2 .MINORITY INTERESTS				
				4,666,905
3. LOAN FUNDS				
a. Secured Loan(s)	C	213,451,564	263,702,867	186,688,976
b. Unsecured Loan(s)	D	50,251,303		49,089,679
			263,702,867	235,778,655
3. DEFERRED TAX LIABILITY				
			12,056,068	10,754,026
Total Rs.			420,254,948	398,574,643
APPLICATION OF FUNDS				
5. FIXED ASSETS				
Gross Block	E	329,676,763		
Less : Depreciation		121,582,303		
Net Block			208,094,460	166,961,217
Capital Work in process			11,501,059	43,562,489
6. INVESTMENTS				
	F		3,802,475	2,720,038
7. CURRENT ASSETS LOANS & ADVANCES				
Inventory		67,419,730		46,171,126
Sundry Debtors		107,248,626		69,357,477
Cash and Bank Balances		44,970,340		77,824,912
Loans And Advances		114,657,964		103,811,309
TOTAL			334,296,661	297,164,824
Less : CURRENT LIABILITIES & PROVISIONS				
a. Current Liabilities	H	43,878,507		34,700,344
b. Provisions		100,366,567		81,695,020
SUB-TOTAL			144,245,074	116,395,364
Net Current Assets			190,051,587	180,769,460
8. MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF				
	I		6,805,367	
TOTAL			420,254,948	394,013,204
Notes forming part of Accounts	R			

As per our report of
even date attached
M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 20.05.2007

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

NITIN MENON
Joint Managing Director

Suhas Kulkarni
AGM, Finance & Accounts

Consolidated Profit & Loss Account for the year ended 31st March, 2007

PARTICULARS	SCHEDULES	31.03.2007	31.03.2006
1. INCOME			
Sales	J	325,742,889	249,860,935
Other Income	K	6,266,599	7,368,103
Increase / (Decrease) In Stock	L	10,135,477	2,753,579
Income from Associates		105,237	84,670
TOTAL		342,250,202	260,067,287
2. EXPENDITURE			
Raw Material & Stores Consumed	M	160,779,483	109,522,551
Manufacturing Expenses	N	39,039,379	30,079,277
Payments to & Provision For Employees	O	40,876,066	27,683,394
Admin., Selling & Distribution Expenses	P	31,307,538	32,113,095
Cost of Finance	Q	20,185,370	12,702,944
Depreciation		20,889,075	17,626,477
Preoperative Expenses W/O		506,827	506,827
TOTAL		313,583,739	230,234,565
3. PROFIT BEFORE TAXATION		28,666,464	29,832,722
Provision for Income Tax		13,617,469	
Deferred Tax Liability		3,044,573	
Fringe Benefit Tax		75,000	16,610,236
4. PROFIT AFTER TAXATION		11,929,422	13,222,486
(+) Share of Loss Transferred to Minority			918,095
Profit after Tax		11,929,422	14,140,581
5. Balance of Profit as per last Balance Sheet		80,218,293	79,892,640
Add: Previous Year Adjustment of Tax			
(-) Share in Loss of Minority for Previous Year		918,095	
Less: Previous Year Expenses		231,204	
6. PROFIT AVAILABLE FOR APPROPRIATION		90,998,416	94,033,221
7. APPROPRIATIONS			
Dividend		11,675,000	
Tax on Dividend		1,984,166	
General Reserve		2,400,000	13,814,928
8. BALANCE OF PROFIT CARRIED TO BALANCE SHEET		74,939,250	80,218,293
9. Notes to Accounts	R		
10. Basic and Diluted Earning per Share		2.55	3.03

As per our report of
even date attached

M/s. P. M. Vardhe & Co.
Chartered Accountants

P. M. Vardhe
Proprietor

Place : Kolhapur
Date : 20.05.2007

For and on Behalf of the Board of Directors

RAM MENON
Chairman

R. D. DIXIT
Vice Chairman &
Managing Director

NITIN MENON
Joint Managing Director

Suhas Kulkarni
AGM, Finance & Accounts

Schedules A to Q

annexed to & forming part of the
Balance Sheet as at and Profit & Loss
Account for the year ended 31st March 2007

Particulars	31.03.2007	31.03.2006
Schedule "A" : Share Capital		
Authorised: 50,00,000 Equity Shares of Rs.10 each	50,000,000	50,000,000
Issued, Subscribed and paid up : 46,70,000 Equity Shares of Rs.10 each fully paid	46,700,000	46,700,000
Schedule "B" : Reserves and Surplus		
General Reserve	17,500,000	19,900,000
Add : Current Year	2,400,000	
Sub-Total		
Share in Reserves of Associates	456,763	456,763
Capital Reserve	2,500,000	2,500,000
Profit & Loss Account	74,939,250	80,218,294
TOTAL	97,796,013	100,675,057
Schedule "C" : Secured Loans		
a) The United Western Bank Ltd.		
Loan Against Fixed Deposits		9,957,270
b) UTI Bank Ltd		
1) Term Loan	94,007,177	99,488,055
2) Cash Credit	72,166,057	55,831,219
3) Bill Discounting	2,809,846	
(Against hypothecation of Land, building, Plant & Machinery & stock) All the above Secured Loans have been jointly & severally guaranteed by Mr. Ram Menon & Mr. Nitin Menon		
3) Loan against FDR.	11,364,052	20,058,964
c) State Bank of India		
1) Cash Credit	30,217,216	
(Against hypothecation of Land, building, Plant & Machinery & stock) All the above Secured Loans have been jointly & severally guaranteed by Mr. Ram Menon & Mr. Nitin Menon		
d) Car Loans		
ICICI Bank Ltd.	679,492	1,353,467
HDFC Bank Ltd.	1,499,093	
State Bank of India	708,631	
TOTAL	213,451,564	186,688,976
Schedule "D" : Unsecured Loan		
Interest free Sales Tax Loan from SICOM (Under the incentive scheme of Government of Maharashtra)	50,251,303	49,089,679
Schedule "E" : Fixed Assets - please refer page 42		

SCHEDULE "E"
FIXED ASSETS SCHEDULE FOR THE YEAR 2006-2007 (CONSOLIDATED)

NO.	DESCRIPTION	GROSS BLOCK			DEPRECIATION				NET BLOCK				
		OPENING BALANCE	ADDITIONS	DELETIONS	TOTAL	UPTO 31.03.2006	ON OPENING	ON ADDITIONS	FOR THE YEAR	ADJUST-MENTS	TOTAL	AS ON 31.03.2007	AS ON 31.03.2006
1	LAND (Free hold)	52,500	—	—	52,500	—	—	—	—	—	—	52,500	52,500
2	LAND (Lease hold)	8,684,062	—	—	8,684,062	192,334	89,814	—	89,814	—	282,148	8,401,914	8,491,728
3	SITE DEVELOPMENT	12,290,947	170,397	—	12,461,344	—	—	—	—	—	—	12,461,344	12,290,947
4	BUILDING	48,386,734	22,954,440	—	71,341,174	7,571,944	1,616,117	757,123	2,373,240	—	9,945,184	61,395,990	40,814,790
5	PLANT AND MACHINERY	149,364,074	35,781,783	51,880	185,093,977	72,843,639	13,328,174	1,327,320	14,655,494	1,485	87,497,648	97,596,329	76,520,435
6	ELECTRICAL INSTALATION	11,340,622	202,784	—	11,543,406	2,834,999	798,012	6,627	804,639	—	3,639,638	7,903,768	8,505,627
7	TOOLS AND IMPLEMENTS	11,847,928	454,653	463,199	11,839,382	6,992,811	1,032,839	14,669	1,047,508	3,375	8,036,944	3,802,438	4,855,118
8	MATERIAL HANDLING EQUIP.	1,546,662	—	—	1,546,662	175,463	94,323	—	94,323	—	269,786	1,276,876	1,371,199
9	FIRE FIGHTING EQUIPMENTS	101,222	—	—	101,222	37,548	7,422	—	7,422	—	44,880	56,342	63,764
10	OFFICE EQUIPMENTS	2,095,153	286,243	—	2,381,396	639,002	99,520	10,381	109,901	—	748,903	1,632,493	1,456,151
11	EFFLUENT TREATMENT PLANT	2,389,432	—	—	2,389,432	191,142	126,162	—	126,162	—	317,304	2,072,128	2,198,290
12	ELECTRICAL FORKLIFT	323,154	—	—	323,154	79,886	33,414	—	33,414	—	113,300	209,854	243,268
13	POLLUTION CONTROL EQUIP.	—	42,623	—	42,623	—	—	1,392	1,392	—	1,392	41,231	—
14	TECHNICAL KNOW-HOW	5,244,590	—	—	5,244,590	5,011,691	232,899	—	232,899	—	5,244,590	0	232,899
15	MISCELLANEOUS ASSETS	547,003	146,373	—	693,376	195,068	32,999	5,335	38,334	—	233,402	459,975	351,935
16	COMPUTERS	2,829,581	1,602,238	—	4,431,819	1,519,144	248,913	141,450	390,363	—	1,909,507	2,522,312	1,310,437
17	FURNITURE & FIXTURES	2,928,871	486,104	—	3,414,975	910,060	185,398	25,976	211,374	—	1,121,434	2,293,541	2,018,811
18	VEHICLES	8,109,721	2,487,697	2,505,751	8,091,667	1,926,401	532,378	140,418	672,796	422,954	2,176,243	5,915,424	6,183,320
	TOTAL	268,082,258	64,615,335	3,020,830	329,676,763	101,121,041	18,458,384	2,430,691	20,889,075	427,814	121,562,303	208,094,460	166,961,220
	PREVIOUS YEAR	198,297,507	72,358,720	2,573,969	268,082,258	84,496,649	80,494	1,461,935	17,626,477	1,002,086	101,121,040	166,961,216	113,800,858

Schedule "F" : Investment (At cost)**Non Trade (unquoted)**

1) 49000 Equity Shares of MB Autocomponents Pvt. Ltd. of Rs.10/- each	490,000	490,000
2) Accumulated Income from Associates	934,685	829,448
3) 10,925.977 units of SBI Mutual Fund @ Rs. 36.61 each	400,000	

Trade (Quoted)

1) 500 Equity Shares of Bank of Maharashtra of Rs.23 each (Market value as on 31.03.2007 Rs. 38.15/- per share)	11,500	11,500
2) 444 Equity Shares of Pentasoft Technologies Ltd of Rs.901.67 each. (Market value as on 31.03.2007 Rs. 1.30 per share)	400,340	400,340
3) 1100 Equity Shares of Global Telesystems Ltd. of Rs.898.86 each (Market value as on 31.03.2007 Rs. 134.45 per share)	988,750	988,750
4) 11,100 Shares of Transwarranty Finance Ltd.@ Rs. 52 each (Market value as on 31.03.2007 Rs. 36.35 per share)	577,200	

SUB-TOTAL

3,802,475	2,720,038
------------------	------------------

Schedule "G" : Current Assets, Loans and Advances**Inventories**

a) Raw Material	20,494,536	9,990,383
b) Stores & Spares	3,386,059	2,777,085
c) Finished goods	28,331,828	19,735,217
d) Work in Process	15,207,307	13,668,441
TOTAL	67,419,730	46,171,126

Sundry Debtors

(Unsecured, considered good)

Outstanding for a period exceeding 6 months	24,878,646	2,318,893
Other Debts	82,369,980	67,038,584
TOTAL	107,248,626	69,357,477

Cash & Bank balances

a) Cash in Hand	226,327	178,691
b) Balances with Banks		
i) In Current A/c(s) With scheduled banks	6,372,245	9,761,777
ii) In Fixed Deposits	38,371,768	67,884,444
TOTAL	44,970,340	77,824,912

Loans & Advances

Other advance	1,551,651	323,898
Staff advance	574,858	377,004
Advances to Directors		2,842,322
Interest accrued but not received	4,762,356	5,839,327
Other Deposits	2,252,509	2,321,879
Prepaid expenses	956,998	938,084
Telephone deposit	29,550	32,050

Water deposit	194,115	194,115
Advance Income Tax	84,067,643	68,275,933
Fringe Benefit Tax	463,493	41,784
Advance to Suppliers	11,039,506	9,635,276
Excise Duty	6,838,359	9,844,348
Service Tax	814,652	897,536
Educational Cess	93,047	145,700
VAT Refund Receivable	792,081	2,102,053
Interest free unsecured loan to Menon Alkop Pvt. Ltd.	226,644	
Tax collected at source	503	
TOTAL	114,657,964	103,811,309
Total Current Assets	334,296,661	297,164,824

Schedule "H" : Current Liabilities and Provisions

Current Liabilities

Sundry Creditors	26,939,574	27,502,598
Sales Tax Payable	2,772,474	1,439,001
Liability for expenses and other liabilities	14,166,460	5,758,745
TOTAL	43,878,507	34,700,344

Provisions

Provision for expenses	5,568,922	4,683,372
Unpaid Dividend	2,178,220	2,026,123
Proposed Dividend	11,675,000	10,274,000
Tax on Dividend	1,984,166	1,440,928
Company Income Tax	77,000,000	62,000,000
Fringe Benefit Tax	940,000	505,000
Leave Encashment	1,020,259	765,596
TOTAL	100,366,567	81,695,019

Total Current Liabilities & Provisions

144,245,074 **116,395,363**

Schedule "I" : Miscellaneous Expenditure

1. Preoperative Expenses	7,312,194	5,068,266
Less : Written Off during the year	506,827	506,827
TOTAL	6,805,367	4,561,439

Schedule "J" : Sales

1. Bearing Sale	108,799,122	88,009,161
2. Bush Sale	136,819,175	102,633,185
3. Thrust Washer Sale	54,471,368	47,547,989
4. Strip Sale	2,771,112	2,542,395
5. Endshield Sale (with bush)		2,291,248
6. Alluminium Die Casting Components	22,882,113	6,716,770
7. Other Products		120,187
TOTAL	325,742,889	249,860,935

Schedule "K" : Other Income

a) Interest	3,060,008	4,749,177
b) Income from other sources	393,452	464,270
c) Scrap Sale	1,695,310	1,773,553
d) Excess Provision Written off		
e) Profit on sale of tooling	1,095,629	
f) Dividend from Companies	22,200	2,680
g) Profit on sale of Shares		378,423
TOTAL	6,266,599	7,368,103

Schedule "L" : Increase / (Decrease) in stock of Work-in-Process and Finished Goods

Opening Stock		
Finished Goods	19,735,217	17,024,450
Work in Process	13,668,441	13,625,629
Total	33,403,658	30,650,79
Closing Stock :		
Finished Goods	28,331,828	19,735,217
Work in Process	15,207,307	13,668,441
Total	43,539,135	33,403,658
Increase / (Decrease) in Stock	10,135,477	2,753,579

Schedule "M" : Raw Material & Stores Consumed

Opening Stock		
Raw Material	9,990,383	13,135,708
Stores & Spares	2,777,085	3,115,517
Total	12,767,468	16,251,225
Add : Purchases		
Raw Material	155,527,435	86,871,183
Stores & Spares	16,365,177	19,167,611
Total	171,892,612	106,038,794
Less : Closing Stock		
Raw Material	20,494,536	9,990,383
Stores & Spares	3,386,060	2,777,085
Total	23,880,596	12,767,468
Raw Material & Stores Consumed	160,779,483	109,522,551

Schedule "N" : Manufacturing Expenses

Outside labour charges	14,092,431	13,449,459
Electricity	21,135,422	13,285,199
Water charges	918,157	795,774
Repairs & Maintenance	2,559,777	2,431,467
Electric Material	301,301	109,940
Testing Fees	20,138	2,823
Hamali	-	4,615
Machining Charges	4,994	
Designing Charges	7,000	
Development Charges	160	
TOTAL	39,039,379	30,079,277

Schedule "O" : Provisions for and Payments to employees

Salary and Wages	38,282,879	25,893,740
Contribution to Provident Fund	2,151,149	1,426,254
Contribution to Group Gratuity Trust	442,038	363,400
TOTAL	40,876,066	27,683,394

Schedule "P" : Administrative, Selling & Distribution Expenses

Rent, Rates and Taxes	372,932	201,492
Insurance	993,122	680,643
Freight Outward	1,521,757	1,437,257
Legal & Consultation	1,358,655	979,830
Postage, Telephone	968,358	909,076
Business Expenses	567,584	545,604
Sales Promotion Expenses	17,592,103	21,280,317
Printing & Stationary	744,065	777,555
Vehicle & Conveyance Expenses	1,089,458	692,187
Other Expenses	3,195,286	2,077,905
Tax collection at Source	1,848	
Excise duty rejection claim	92,550	
Traveling Expenses	697,282	1,009,564
Sitting Fees	21,000	29,000
Advertisement	245,381	415,297
Audit Fees	125,000	121,000
Foreign Tour Expenses	649,963	
Establishment Expenses	380,000	340,000
Loss on sale of Fixed Assets	691,192	616,368
TOTAL	31,307,538	32,113,095

Schedule "Q" : Cost of Finance

Interest	18,399,959	12,014,945
Bank Commission & Other Charges	1,674,415	687,998
Processing Charges	110,996	
TOTAL	20,185,370	12,702,943

Significant Accounting Policies

to the Consolidated
Balance Sheet &
Profit & Loss Account

1. Principles of consolidation.
 - a.) The consolidated financial statements relate to Menon Bearings Limited ("the company"), its subsidiary and associate. The consolidated financial statements have been prepared on the following basis.
 - b.) The financial statements of the Company and its subsidiary are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standards (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
 - c.) The investment in a subsidiary, at the time of acquisition of shares in the subsidiary is recognised in the financial statements as investments.
 - d.) Minority Interest's share of net assets of consolidated subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
 - e.) In case of associates where the Company directly or indirectly holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 "Accounting for investments in associates in consolidated financial statements" issued by the Institute of Chartered Accountants of India.
 - f.) The company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealised profits and losses resulting from transactions between the company and its associates to the extent of its share, through its profit and loss account to the extent such change is attributable to the associate's profit and loss account and through its reserves for the balance, based on available information.
 - g.) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
2. Investments other than in subsidiary and associates have been accounted as per Accounting Standard (AS) 13 "Accounting for investments".
3. Other significant accounting policies:

These are set out under "Significant Accounting Policies" as given in the Unconsolidated Financial Statements of Menon Bearings Limited & its subsidiary.

NOTES ON ACCOUNTS TO CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. The subsidiary company considered in the consolidated financial statements is Menon Alkop Pvt. Ltd. having proportion of ownership interest 100%.
2. The Associate Company considered in the consolidated financial statement is MB Autocomponents Pvt. Ltd. proportion of ownership interest is 49%.
3. As required by Accounting Standard (AS-23) on Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, the carrying amount of investments in Associate at the beginning of the year have been restated at the original cost from the date of acquisition of the associates and corresponding adjustment has been made to the retained earnings at the end of the year.

4. **MANAGERIAL REMUNERATION:**

Details of payment and provisions on account of Remuneration to Directors included in Profit and Loss Account.

		Current Year	Previous Year
	No. of Persons	4	4
1.)	Salary	32,34,000	23,74,800
2.)	Contribution to P.F.	3,88,080	2,84,526
3.)	Other Perquisites	33,29,154	31,12,631
4.)	Remuneration	84,000	84,000
5.)	Sitting Fees	12,000	29,000
Total		70,47,234	58,84,957

5. **DISCLOSURE OF BORROWING COST CAPITALISED UNDER ACCOUNTING STANDARD 16:**

All the assets of the Subsidiary Company acquired during the year are qualifying assets as explained in AS-16. Hence, borrowing cost incurred during the year under review has been capitalised to the respective expenditure.

6. SEGMENT REPORTING UNDER ACCOUNTING STANDARD 17:

The Company operates in one business segment only namely "Auto components." Hence reporting under this standard is not applicable to the company.

7. RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD 18

Following are the related parties under above standard.

No.	Name of Party	Nature of Transaction	Amount (Rs.)
1.	MB Autocomponents Pvt. Ltd.	Sale	5,10,93,497
2.	MB Exports	Sale	7,31,92,247
3.	Mani Auto Components	Jobwork/Capital goods/tooling purchase	93,30,351
4.	Menon Pistons Ltd.	Purchases	51,277
5.	Menon Piston Rings Pvt. Ltd.	Purchases	9,875
6.	Nitin Menon	Deposit Accepted	48,00,000
7.	Menon Metalliks Pvt. Ltd.	Purchases	2,47,908
8.	Ripin Engineering	Jobwork/Capital goods/tooling purchase	22,11,709

Mr. R. D. Dixit, Vice Chairman & Managing Director, Mr. Nitin Menon, Joint Managing Director and Mr. T. K. Guha, Executive Director are employees of the Company. Mr. Kumar Nair is being paid Remuneration. The salary, perquisites and remuneration paid to them are disclosed under Note No.5 as "Managerial Remuneration". Apart from above directors, all other directors are non executive directors. The Company has not entered into any transactions with them other than the sitting fees which they have received from the Company.

Apart from above mentioned parties following parties are also related parties of the Company. However, no significant transactions took place with these parties in the year 2006-07.

- 1) Menon & Menon Limited
- 2) Menon Engineering Services.

There are no write offs / write backs of any amount for any of the above parties during the year 2006-07

8. LEASE ACCOUNTING AS PER ACCOUNTING STANDARD 19:

Not applicable to the company since no new lease transactions took place during the year 2006-07

9. EARNINGS PER SHARE AS PER ACCOUNTING STANDARD 20:

The basic earning per share for the year 2006-2007 is Rs. 2.55. Diluted earnings per share is not applicable to the company as the company has not issued any Preference shares / security / warrants / debentures, which are convertible into equity shares in the future

10. ACCOUNTING FOR TAXES ON INCOME AS PER ACCOUNTING STANDARD 22

Particulars	Op. Bal.(1/4/06)	During the year	As on 31/3/07
Depreciation	(-) 1,07,40,779	(-)11,53,246	(-) 1,18,94,025
Leave Encashment	(+)1,57,980	(+) 23,475	(+) 1,81,455
Preliminary Expenses	(-)1,71,227	(-) 1,72,271	(-) 3,43,498
Total	(-)1,07,54,026	(-) 13,02,042	(-) 1,20,56,068

Deferred taxes on income are computed as per Accounting Standard 22 and same are provided in the audited accounts of the company and its subsidiary at appropriate places.

11. CONTINGENT LIABILITIES

- a. Central Sales Tax and Bombay Sales Tax assessments are completed upto 31.03.2002. The liability in respect of pending assessments / appeals is unascertainable. Presently MVAT became applicable.
- b. The Income Tax assessments are completed up to the Assessment Year 2004-2005. (relevant to Accounting year ended 31.03.2004). Liability if any, in respect of the pending assessments or appeals under the Income Tax Act, 1961 is unascertainable.
- c. UTI Bank Ltd. and the United Western Bank Ltd. have issued guarantees on behalf of the company for Rs. 0.05 lacs (Previous Year Rs. 1.97 lacs) and Letters of Credit form UTI bank Ltd. For Rs. 121.07 lacs (Previous Year Rs. 121.85 lacs)

Statement Pursuant to section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Company for the Financial Year 2005-006

Name of Subsidiary Company	Menon Alkop Private Limited
The financial year of the Subsidiary Company ended on	31 st March, 2007
Date from which, it became Subsidiary Company	29/03/2005
Number of shares held by Menon Bearings Limited	43,90,000 Equity shares of Rs.10/- each fully paid-up.
Extent of interest of holding Company at the end of Financial year of Sub-sidiary Company	100 %
The net aggregate amount of the Subsidiary Company's Profit / (Loss) so far as it concerns the members of the Holding Company.	(Rs. 2,04,66,892/-)
a) Not dealt with in the Holding Company's Account. 1) For the Financial year ended 31 st March, 2007 2) For the Previous Financial years of the Subsidiary Company	Not applicable
b) Dealt with in Holding Company's Accounts. 1) For the Financial year ended 31 st March, 2007 2) For the Previous Financial years of the Subsidiary Company	Not applicable

Details of Subsidiary Company

Name of Subsidiary Company	Menon Alkop Private Ltd.
Capital	Rs. 4,39,00,000/-
Reserves	NIL
Total Assets	Rs. 16,65,21,044/-
Total Liabilities	Rs. 16,65,21,044/-
Details of Investments	Rs. 14,60,54,152/-
Total Income	Rs. 03,61,27,729/-
Profit Before Taxation (Loss)	Rs. (1,00,21,193/-)
Provision for Taxation	Rs. 31,19,573/-
Profit After Taxation (Loss)	Rs. (1,31,40,766/-)
Proposed Dividend	NIL

Menon Alkop Private Ltd. Financial Results

ANNUAL REPORT 2006 - 2007

Menon Alkop Private Ltd.

The Board Of Directors

RAM MENON	Chairman
SACHIN MENON	Director
NITIN MENON	Vice Chairman & Managing Director
R. D DIXIT	Director
T. K. GUHA	Joint Managing Director

AUDITORS M/s. Rajesh Lohia & Co.
Chartered Accountants, Kolhapur

BANKERS UTI Bank Limited, Kolhapur

REGISTERED OFFICE
C-1, 5 Star Industrial Area, Kagal,
Kolhapur 416 216
Maharashtra.

Report Of The Board Of Directors Of Menon Alkop Pvt Ltd

Your Directors have great pleasure in presenting 3rd Annual Report of your company with the Audited Statement of Accounts of the year ended on 31st March 2007.

OPERATIONS

During the year under report, the company has registered a turn over of Rs.361.27 lacs, & profit before interest & depreciation of Rs. 14.36 lacs. However, due to infancy stage the company has incurred a loss of Rs.100.21 lacs before tax. The loss is mainly due to depreciation. Directors are hopeful that the company will turn the corner and achieve break even.

DIVIDEND

As the company has not made any profits during the year under report, directors are unable to declare any dividend.;

PUBLIC DEPOSITS

The company has not accepted any public deposits within the meaning of Section 58A and 58AAA of the Companies Act, 1956 and rules framed there under.

DIRECTORS

Mr. Ram Menon, Director retires by rotation and being eligible for reappointment at the ensuing Annual General Meeting.

AUDITORS

M/s Rajesh Lohia & Company, Chartered Accountants, Kolhapur hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 statement of particulars of employees is not given since no employee is drawing of Rs.24,00,000/- per annum or rs, 2,00,000/- per month.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- 1) While preparing the Annual Accounts, the applicable accounting standards have been followed and proper explanation relating to the material departures have been given wherever necessary.
- 2) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March 2007.
- 3) The Directors had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.

4) The directors have prepared the annual accounts on a going concern basis.

The information required under the Companies (Disclosure of the particulars in the Report of the Board of Directors) Rules, 1988 is enclosed.

ACKNOWLEDGEMENT.

The directors wish to place on record that sincere appreciation for the continued co-operation, guidance, support and assistance during the year under report by our bankers, all the customers, suppliers of the company and government agencies. The Board of Directors wishes to express its appreciation for the valuable contribution made by the employees at all levels during the year under report.

INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE DIRECTORS) RULES, 1988

I. CONSERVATION OF ENERGY.

Capacitor banks are provided to each HPDC machine which has resulted into reducing peak current thereby resulting in reducing electricity loss.

II. TECHNOLOGY ABSORBITION

FORM B

Form of disclosure of particulars in respect of absorption of technology, research and development.

1.)	Specific areas in which R & D is carried out by the company	Die design & manufacturing of intricate products
2.)	Benefits derived as a result of above	Improving customer base
3.)	Future plan of action	Development of cylinder heads for automobiles
4.)	Expenditure on R & D	NIL

TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION

1.)	Efforts in brief, made towards Absorption, Adoption	Developed Cylinder Heads for Automobiles.
2.)	Benefits derived as a result of above effort e.g. product improvement, cost reduction, product development.	New Customer Development
3.)	In case of imported technology (imported during last 5 years recorded from the beginning of the financial year)	2005-06 –DECKEL MAHO VERTICAL MILLING MACHINE, 2 HMS MACHINES, SPECTROMETER

FOREIGN EXCHANGE EARNINGS AND OUTGO.

Activities relating to export initiative for development of new export markets for products, services & exports.	We are exporting our products to U.K., Egypt, Spain, Israel, U.S.A. Additional applications are under development for export.
Total foreign exchange used and earned.	Used Imports : Rs. 19,02,985/- Deemed Export Worth : Rs. 8,51,540/-

Place: Kolhapur
Date: 20th May 2007

For and on behalf of the Board of Directors
Ram Menon
Chairman

The Auditors Report

to the members of Menon Alkop Private Ltd.

Rajesh Lohia & Company
CHARTERED ACCOUNTANTS
Royal courts, Shahupuri,
Kolhapur

We have audited the attached Balance Sheet of M/s. Menon Alkop Private Limited, as at 31st March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit :
- 2) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- 4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- 5) On the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007 and
 - b) In the case of the Profit and Loss Account, of the Loss of the Company, for the year ended on that date.
 - c) In the case of Cash Flow Statement of the Cash Flows of the Company, for the year ended on that date.

Place: Kolhapur
Date: 20/05/2007

For M/s. Rajesh Lohia & Company
Chartered Accountants

Rajesh Lohia
Proprietor

Annexure to the Auditors Report

annexure referred to in para 1 of auditor's report of even date

- I) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) The fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
c) During the year, the company has not disposed off any major part of the plant and machinery.
- II) a) The physical verification of inventory has been conducted during the year by the management at reasonable intervals. .
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c) The company has maintained proper records of inventory and no material discrepancies were noticed on physical verification.
- III) a) The Company has not granted loans to another Company covered in the register of contracts maintained under Section 301 of the Act.
b) The question of rate of interest and other terms and conditions does not arise.
c) There is no question of receipts of the principal amount and interest and overdue amount.
d) The Company has taken interest free unsecured loan from Menon Bearings Ltd., the holding company covered in the register maintained register maintained under Sec. 301 of the Act. The terms & conditions are not prima facie prejudicial to the interests of the company.
- IV) There is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
- V) a) The particulars of contracts and arrangements referred to in Section 301 of the Act, have been entered in the register required to be maintained under that section, and
b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI) The Company has not accepted any deposits from the public.
- VII) The company has an internal audit system commensurate with the size and nature of its business.
- VIII) Maintaining cost records under Section 209 (1) (d) of the Companies Act, 1956, is not applicable to the company.
- IX) The company is regular in depositing with appropriate authorities undisputed statutory dues. There are no arrears of outstanding dues as on the last day of the financial year concerned for a period of more than six months.

- X) This being the third year question of reporting on accumulated losses and cash losses does not arise.
- XI) The company has paid loan installments of Rs. 33,45,780.00 during April & May 2007 which was due as on 31-03-2007.
- XII) The company has not granted any loans, advances on the basis of security by way of pledge of shares, debentures & other security.
- XIII) Provisions of any special statute applicable to chit fund in respect of nidhi / mutual benefit fund/ societies are not applicable to the Company.
- XIV) The Company is not dealing or trading in shares, securities, debentures and other investments.
- XV) The Company has not offered any Corporate Guarantee.
- XVI) The Company has applied the term loans, for the purpose for which they were obtained.
- XVII) According to the information and explanation given to us, we are of the opinion that the Company has not utilized short term funds towards long term investment.
- XVIII) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
- XIX) The Company has not issued any debentures.
- XX) The Company has not made any public issue of shares during the period covered by our audit report.
- XXI) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

Place: Kolhapur
Date: 20/05/2007

For M/s. Rajesh Lohia & Company
Chartered Accountants

Rajesh Lohia
Proprietor

Menon Alkop Private Limited

Balance Sheet as at 31st March, 2007

PARTICULARS	SCHEDULES	31.03.2007	31.03.2006
SOURCES OF FUNDS:			
1.SHAREHOLDER'S FUNDS			
a. Share Capital	A	43,900,000	43,900,000
2. LOAN FUNDS			
a. Secured Loans	B	87,437,632	68,250,874
b. Unsecured Loans	C	27,176,626	23,773,641
3. DEFERRED TAX LIABILITY			
		8,006,785	4,962,212
Total Rs.		166,521,044	140,886,727
APPLICATION OF FUNDS			
1. FIXED ASSETS			
	D		
Gross Block		117,715,779	
Less : Depreciation		5,594,642	
Net Block		112,121,137	74,337,084
Capital Work in process		10,646,451	38,983,413
2. INVESTMENTS			
		NIL	NIL
3. CURRENT ASSETS LOANS & ADVANCES			
	E		
Inventory		4,362,283	3,359,545
Sundry Debtors		12,428,165	7,175,738
Cash and Bank Balances		266,668	37,524
Loans And Advances		8,187,708	11,204,387
TOTAL		25,244,824	21,777,194
Less : CURRENT LIABILITIES & PROVISIONS	F	8,763,628	5,990,133
NET CURRENT ASSETS		16,481,196	15,787,061
4. MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED			
	G	6,805,367	4,561,439
5. PROFIT & LOSS ACCOUNT			
		20,466,892	7,217,729
TOTAL		166,521,044	140,886,727

As per our report of even date attached
M/s. Rajesh Lohia & Company
Chartered Accountants

For and on Behalf of Board of Directors

Rajesh Lohia
Proprietor

Ram Menon
Chairman

Nitin Menon
Vice Chairman And
Managing Director

Place : Kolhapur
Date : 20-05-2007

Menon Alkop Private Limited

Profit & Loss Account for the year ended 31st March, 2007

PARTICULARS	SCHEDULES	31.03.2007	31.03.2006
1. INCOME			
Sales	H	33,542,375	11,929,278
Other Income	I	1,399,149	95,441
Increase / (Decrease) In Stock	J	1,186,205	1,518,609
TOTAL		36,127,729	13,543,328
2. EXPENDITURE			
Raw Material & Stores Consumed	K	19,676,863	7,668,032
Manufacturing Expenses	L	7,308,508	1,595,515
Payments to & Provision For Employees	M	5,526,407	2,202,982
Admin., Selling & Distribution Expenses	N	1,673,280	561,662
Preoperative Expenses W/O		506,827	506,827
TOTAL		34,691,885	12,535,018
3. PROFIT BEFORE INTEREST & DEPRECIATION		1,435,845	1,008,310
Cost of Finance		7,399,965	1,666,398
Depreciation		4,057,073	1,542,429
4. LOSS BEFORE PROVISION FOR TAXATION		(10,021,193)	(2,200,517)
5. PROVISION FOR TAXATION			
Deferred Income Tax		(3,044,573)	(4,962,212)
Fringe Benefit Tax		(75,000)	(55,000)
6. LOSS AFTER TAXATION		(13,140,766)	(7,217,729)
7. PROFIT / (LOSS) AS PER LAST BALANCE SHEET		(7,217,729)	
Previous Year Expenses		(108,397)	(7,326,126)
8. LOSS CARRIED FORWARD TO BALANCE SHEET		(20,466,892)	(7,217,729)
9. Notes to Accounts	P		

As per our report of even date attached
M/s. Rajesh Lohia & Company
Chartered Accountants

Rajesh Lohia
Proprietor

Place : Kolhapur
Date : 20-05-2007

For and on Behalf of Board of Directors

Ram Menon
Chairman

Nitin Menon
Vice Chairman And
Managing Director

Schedules A to Q

annexed to & forming part of the
Balance Sheet as at & Profit & Loss
Account for the year ended 31-03-2007

Particulars	31.03.2007	31.03.2006
Schedule "A" : Share Capital		
Authorised: 50,00,000 Equity Shares of Rs.10 each	5,00,00,000	5,00,00,000
Issued,Subscribed and paid up : 4390000 Equity Shares of Rs.10 each	43,900,000	43,900,000
Schedule "B" : Secured Loan		
A) UTI BANK LIMITED		
a) Term Loan	69,145,927	68,250,874
b) Bill Discounting facility	2,809,846	
c) Cash Credit (<i>Against hypothecation of land, building, plant & machinery</i>)	15,110,503	
<i>The above secured loan have been jointly guaranteed by Mr.Ram Menon & Mr.Nitin Menon and corporate guarantee by Menon Bearings Limited, it's holding company</i>		
B) HDFC BANK LIMITED		
a) Car Loan	371,357	
TOTAL	87,437,632	68,250,874
Schedule "C" : Unsecured Loans		
Interest free Loan from Menon Bearings Limited, the holding Company	27,176,626	23,773,641
Schedule "D" : Fixed Assets (As per Annexure)	112,121,137	74,337,084
Schedule "E" : Current Assets, Loans and Advances		
Inventories		
a) Raw Material	1,367,273	1,463,873
b) Stores & Spares	290,196	377,063
c) Work in Process	2,704,814	1,518,609
TOTAL	4,362,283	3,359,545
Sundry Debtors (<i>Unsecured, considered good</i>)		
Outstanding for period exceeding 6 months	-	-
Other Debts	12,428,165	7,175,738
TOTAL	12,428,165	7,175,738
Cash & Bank Balances		
a) Cash in Hand	20,698	20,687
b) Balances with banks		
i) With current Accounts with Scheduled Banks	240,970	11,691
ii) In fixed Deposits	5,000	5,146
TOTAL	266,668	37,524
Advances		
Statutory Advances / Receivables		
Telephone Deposit	2,500	5,000
Water Deposit	65,350	65,350
Excise Duty	5,075,380	7,134,916
Education Cess	93,047	145,700

SCHEDULE "D"
FIXED ASSETS SCHEDULE FOR THE YEAR 2006-2007 (in Rs.)

NO.	DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		OPBAL. AS ON 01-04-2006	ADDITIONS	DELETION	TOTAL	Upto 31.03.2006	FOR THE YEAR	ADJUST- MENTS	TOTAL	As on 31.03.2007	As on 31.03.2006
1	LAND (Lease hold)	7,646,898	—	—	7,646,898	80,494	80,494	—	160,988	7,485,910	7,566,404
2	DEVELOPMENT OF LAND	8,419,158	85,501	—	8,504,659	—	—	—	—	8,504,659	8,419,158
3	BUILDING	9,518,560	22,954,440	—	32,473,000	226,463	1,075,043	—	1,301,506	31,171,494	9,292,097
4	PLANT AND MACHINERY	37,810,505	17,655,082	51,880	55,413,707	867,819	2,158,684	1,485	3,025,018	52,388,689	36,942,686
5	ELECTRICAL INSTALLATION	6,701,392	32,133	—	6,733,525	198,359	319,724	—	518,083	6,215,442	6,503,033
6	TOOLS AND IMPLEMENTS	3,045,333	173,781	463,199	2,755,915	46,091	126,159	3,375	168,875	2,587,040	2,999,242
7	MATERIAL HANDLING EQUIP.	1,173,570	—	—	1,173,570	31,585	55,745	—	87,330	1,086,240	1,141,985
8	FIRE FIGHTING EQUIP.	54,462	—	—	54,462	1,296	2,587	—	3,883	50,579	53,166
9	POLLUTION CONTROL EQUIP.	—	42,623	—	42,623	—	1,392	—	1,392	41,231	—
10	OFFICE EQUIPMENTS	94,145	167,439	—	261,584	2,261	10,762	—	13,023	248,561	91,884
11	MISCELLANEOUS ASSETS	340,140	129,569	—	469,709	5,047	21,376	—	26,423	443,286	335,093
12	COMPUTERS	810,850	422,072	—	1,232,922	76,008	137,854	—	213,862	1,019,060	734,842
13	FURNITURE AND FIXTURES	264,499	62,079	—	326,578	7,006	20,282	—	27,288	299,290	257,493
14	VEHICLE	—	626,626	—	626,626	—	46,971	—	46,971	579,655	—
	TOTAL	75,879,513	42,351,345	515,079	117,715,779	1,542,429	4,057,073	4,860	5,594,642	112,121,137	74,337,084
	PREVIOUS YEAR	7,646,898	68,232,615	—	75,879,513	—	1,542,429	—	1,542,429	74,337,084	—

Particulars	31.03.2006	31.03.2005
Service Tax	69,586	194,222
Sales Tax Refund (04-05)	459,451	459,451
Vat Refund (05-06)	-	1,309,972
Fringe Benefit Tax	111,140	41,784
Advance Tax A.Y.2006-2007	8,317	
Tax Collected at Source	503	
Sub-total	5,885,274	9,356,396
Advance to suppliers	1,197,312	932,933
Interest Accrued bit not received	46,296	37,353
Prepaid Expenses	320,675	90,209
Other Deposit	724,000	752,800
Advances to Employees	13,751	34,697
Total	8,187,708	11,204,387
Total Current Assets	25,244,824	21,777,194

Schedule "F" : Current Liabilities and Provisions

Sundry Creditors	4,840,716	3,808,427
Statutory Liabilities	493,896	69,162
Liability for Expenses	522,209	350,678
Tooling advance received from customers	450,000	893,300
Provision for Expenses	1,175,693	813,566
Provision for Fringe benefit Tax	130,000	55,000
Advence from Customers	1,151,114	-
Total Current Liabilities and Provisions	8,763,628	5,990,133

Schedule "G" : Miscellaneous Expenditure to the extent not written off

a) Preliminary Expenses	190,406	190,406
b) Pre-operative Expenses	4,371,033	4,877,860
Sub-Total	4,561,439	5,068,266
Less : written off during the year	506,827	506,827
Sub-total	4,054,612	4,561,439
Product development Expenses	2,750,755	-
Total	6,805,367	4,561,439

Schedule "H" : Sales

a) Aluminium Die Casting Components	33,542,375	11,809,091
b) Other Products	-	120,187
Total	33,542,375	11,929,278

Schedule "I" : Other Income

a) Scrap Sales	160,780	45,397
b) Interest received	45,859	37,353
c) Income from other sources	96,881	12,691
d) Profit on sale of tooling	1,095,629	-
Total	1,399,149	95,441

Schedule "J" : Increase / (Decrease) in Stock

Opening Stock	-	-
Work in Progress	1,518,609	-
Closing Stock	-	-
Work in Progress	2,704,814	1,518,609
Increase / (Decrease) in stock	1,186,205	1,518,609

Particulars	31.03.2006	31.03.2005
Schedule "K" : Raw Material & Stores Consumed		
Opening Stock	-	Nil
Raw Materials	1,463,873	-
Stores, Spares & Consumables	377,063	-
Total	1,840,936	-
Add : Purchases		
Raw Materials	16,548,814	8,081,591
Stores, Spares & Consumables	2,944,582	1,427,377
Total	19,493,396	9,508,967
Less : Closing Stock		
Raw Materials	1,367,273	1,463,873
Stores, Spares & Consumables	290,196	377,063
Total	1,657,469	1,840,936
Raw Material & Stores Consumed	19,676,863	7,668,032
Schedule "L" : Manufacturing Expenses		
Electrical Material	41,761	42,217
Outside Labour Charges	1,184,558	373,335
Electricity Charges	5,476,612	965,201
Water Charges	243,161	156,414
Repairs & Maintenance	330,124	50,910
Testing Fees	20,138	2,823
Hamali	-	4,615
Machining Charges	4,994	-
Designing Charges	7,000	-
Development Expenses	160	-
Total	7,308,508	1,595,515
Schedule "M" : Provision for & Payment to Employee		
Salary & wages	5,047,284	2,026,621
Contribution to Provident fund	279,674	96,527
Labour Welfare	122,322	71,581
Contribution to Group Gratuity Trust	77,127	8,254
Total	5,526,407	2,202,982
Schedule "N" : Administrative, Selling & Distribution Expenses		
Sundry Expenses	64,458	40,293
Reimbursement of Conveyance	129,113	37,120
Legal Expenses	16,333	4,779
Postage & Courier	14,776	3,970
Travelling Expenses	93,838	11,658
Telephone Expenses	180,339	77,962
Consultancy	138,000	15,500
Books & Periodicals	4,308	6,120
Insurance	117,110	-
Filing & Registration	1,280	584
Rent, Rates & taxes	32,200	5,200
Advertisement	60,139	18,588
License Fees	41,500	4,125
Auditor's Remuneration	60,000	56,000
Professional Fees	29,386	9,750
Entertainment Expenses	2,321	5,184

Particulars	31.03.2006	31.03.2005
Printing & Stationery	86,545	49,259
Building Repairs	6,708	10,346
Security Expenses	202,420	78,750
Tax collected at source	1,848	-
Excise duty rejection claim	92,550	-
Subscription & Contribution	951	-
Motor Vehicle Expenses & Repairs	42,600	-
Inspection Expenses	10,400	-
Profession Tax	2,500	-
Donation	600	-
Loss on Sale of Fixed Asset	8,395	-
Garden Expenses	-	6,257
Siting Fees	-	9,000
Freight Outward	218,362	95,046
Sales Promotion	14,301	16,171
Total	1,673,280	561,662
<hr/>		
Schedule "O" : Cost of Finance		
Bank Commision & other charges	90,916	27,346
Processing Charges	110,996	-
Interest	7,198,053	1,639,052
Total	7,399,965	1,666,398
<hr/>		

Menon Alkop Private Ltd.

Schedule P

Schedule of notes annexed to and forming part of the Balance Sheet As At 31st March, 2007

1) SIGNIFICANT ACCOUNTING POLICIES

A) Basis Of Accounting :

Accounts of the Company are prepared under the historical cost convention. Company has complied with accounting standards as recommended by Institute of Chartered Accountants of India.

B) Depreciation :

Depreciation is charged on all the assets on Straight Line Basis (SLM) at the rates and manner prescribed in Schedule XIV of the Companies Act, 1956 as amended up to date.

Fixed assets are stated at cost less depreciation. Costs comprised of cost of acquisition and all attributable costs of bringing the assets to condition for their intended use.

The cost of leasehold land is amortised over the period of lease.

C) Investments :

There are no investments.

D) Foreign Exchange Transactions

Transactions arising in Foreign Currency are converted at the rates ruling on the transaction date. No outstanding liability is payable in foreign currency as on date of Balance Sheet.

E) Inventory :

Inventories are valued at cost or market price whichever is lower. The Company has valued closing stock exclusive of Excise Duty and Value Added Tax, as per the guidelines.

F) Sales :

Sales are recognized on dispatches to customers. Sales exclude Excise Duty and Value Added Tax & Central Sales Tax.

G) Retirement Benefit

The Company has created The Employees Group Gratuity Fund, which has taken Gratuity Cum Life Insurance Policy from Life Insurance Corporation of India. Base for gratuity is the premium paid on the above policy.

Provision for Leave Encashment is made on the basis of actuarial valuation. Company's Contribution to Provident Fund has been charged to Profit & Loss Account.

H) Development Expenditure

During the Current year under report, Company has undertaken development of certain critical components. The development process requires trials, retrials. For the purpose of the said development work skilled / semi skilled work

force was deployed. Similarly motive power was also used. The expenditure incurred on account of labour and motive power has been treated as Product Development Expenditure, which shall be written off on yearly basis.

I) Disclosure of Borrowing Cost Capitalized Under Accounting Standard 16

Borrowing cost of Rs. 7,08,127.00 capitalised on account of Plant & Machinery.

J) Segment Reporting Under Accounting Standard 17

The Company operates in one business segment namely “Aluminium Die Casting Components”

K) Related Party Disclosure As Per Accounting Standard 18

No.	Name of Party	Nature of Transaction	Amount (Rs.)
1.	Menon Bearings Limited	a) Purchase of Finished Components, consumables & labour charges	15,70,172
		b) Sale of Goods	1,20,96,619
2.	MB Autocomponents Pvt. Ltd.	Sale of Goods	679783
3.	Mani Auto Components	Jobwork Charges /Capital Goods Purchase	4,09,821
4.	Ripin Engineering	Jobwork Charges /Capital Goods Purchase	22,11,709
5.	Menon Pistons Limited	Purchase of Raw Material / Consumables	51,277
6.	Menon Metallicks Pvt.Ltd.	Purchase of Tooling Material	2,47,908
7.	Menon Piston Rings Pvt.Ltd.	Purchase of Consumables	9,875

There are no write offs / write backs of any amount for any of the above parties in the year 2006-2007.

Mr. Ram Menon – Chairman, Mr. Sachin Menon – Director, Mr. R. D. Dixit – Director, Mr. Nitin Menon – Vice Chairman & Managing Director and Mr. T.K.Guha – Joint Managing Director are all non executive directors. Company has not entered into any transactions with them.

L) Lease Accounting as per Accounting Standard 19

Not applicable to the Company since no lease transactions took place during the year 2006-2007.

M) Consolidated Financial Statements As Per Accounting Standard 21

This being a subsidiary Company, Accounting Standard is not applicable.

N) Accounting For Taxes On Income As Per Accounting Standard 22

Deferred taxes on income are computed as per Accounting Standard 22 and same are provided in the Audited Accounts at appropriate places. The details thereof are as under. (Amount in Rupees)

Particulars	As per Co. Law	As per I.Tax Act	Difference	Deferred Tax (Liab.)/ Asset
Depreciation	4057073	12576571	(8519498)	(2895777)
Preliminary Expenses	506827	1013653	(506826)	(172271)
Leave Encashment	69063		69063	23475
Total	4632963	13590224	(8957261)	(3044573)

2) Impairment of Losses as per Accounting Standard 28

The Company has reviewed the carrying cost of the fixed assets and does not expect any loss on account of impairment.

3) Contingent Liabilities

Bank Guarantee given by UTI Bank Limited amounting to Rs. 5,000.00 to Department of Sales Tax. The liabilities in respect of pending assessments under Central Sales Tax Act, BST Act and MVAT Act are not ascertainable.

OTHER NOTES

- 1) Previous year figures are regrouped wherever necessary to conform to current year figures.
- 2) Paise are rounded off to the nearest rupee.
- 3) Sundry Debtors

	Current Year	Previous Year
a) Debtors considered good in respect of which the Company is fully secured.	Nil	Nil
b) Debtors considered good for which the Company holds no security.	1,24,28,165	71,75,738
c) Debtors considered bad or doubtful.	Nil	Nil
d) Debts due by Company in which Director is Director or member.	3,83,959	74,114
e) Debts due by firm in which Director is Partner.	Nil	Nil
f) S.S.I creditors above 30 days exceeding Rs. 1.00 lac,	Nil	Nil

4) Since the Company is not holding stock of Finished Goods as on 31/03/2007, the question of inclusion of excise duty on stock of Finished Goods does not arise.

5) AUDITOR'S REMUNERATION : (Exclusive of Service Tax)

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Audit Fee	20,000	20,000
Tax Audit under Income Tax Act	05,000	05,000
Income Tax Consultation	22,000	18,000
Company Law Consultation	05,000	05,000
System Audit	08,000	08,000
Total (Rs.)	60,000	56,000

6) Expenditure on employee getting remuneration not less than Rs.2,00,000/- p.m. is Nil.

7) Managerial Remuneration

Details of payment and provisions on account of remuneration to directors included in Profit & Loss Account.

	Current Year	Previous Year
No. of Persons	5	5
Sitting Fees	NIL	9,000

Details of Raw Material, Stores And Spares Consumed

a)

No.	PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
1	Alluminium Alloy	135,405	14,363,321	55,547	5,344,819
2.	Other Raw Material	5,301	990,130	1,006	257,416
3.	Bought Out Components	258,950	1,291,962	129,719	1,015,483
4.	Consumable Stores	-	3,031,449	-	1,050,314
	Total		19,676,863		7,668,032

b) EXPENDITURE IN FOREIGN CURRENCY

No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Plant and Machinery		1,899,915
2.	Raw Material	1,608,941	
3.	Books and Periodicals		3,070
	Total	1,608,941	1,902,985

c) CIF Values of Imports

No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Plant and Machinery		2,807,301
2.	Raw Material	1,834,700	
3.	Books and Periodicals		3,670
	Total	1,834,700	2,810,971

d) Valuation of Imported and Indigenous Raw Material, Stores, Spares Consumed

No.	PARTICULARS	%	CURRENT YEAR	PREVIOUS YEAR
1	Imported Raw Material Stores, Spares Consumed	9%	1,834,700	
2.	Imported Raw Material Stores, Spares Consumed	91%	17,842,163	7,668,032
	Total		19,676,863	7,668,032

e) Particulars in Respect of Each Class of Goods Manufactured by Company

No.	Particulars / Item	Unit	Aluminium Die Casting Components		Other Products	
			Current Year	Previous Year	Current Year	Previous Year
1	Registered Capacity	Nos.	5,000,000	5,000,000		
2.	Installed Capacity	Nos.	5,000,000	5,000,000		
3.	Actual Production	Nos.	712,667	270,582		
4	Opening Stock					
	Quantity					
	Value (Rs.)					
	Closing Stock					
	Quantity					
	Value (Rs.)					
	Turnover					
	Quantity	Nos.	712,667	270,582		
	Value (Rs.)		32,248,343	11,809,091	1,454,812	120,187

Cash Flow Statement for the year 2006-2007

(in Rs. Lacs)

Particulars	31-3-07	31-3-06
Cash Flow from operating activity		
Operating Profit before working capital change	13.27	10.08
Net Profit / Loss before tax and extraordinary items	(131.41)	
Profit for Deferred Income Tax	31.20	
Cost of Finance	74.00	
Depreciation	40.56	
Previous Year Expenses	(1.08)	
Adjustments for Trade & other Receivables		
Sundry Debtors	52.52	
Loans and advances	- 30.16	
Inventory	10.02	
Sub Total	32.38	
Less : Current Liabilities & provisions	27.74	
Net Current Assets	4.64	47.84
Cash Generated from operations	8.63	(37.76)
Interest Paid	74.00	(16.66)
Deferred Income Tax	31.20	(50.17)
Cash Flow before Extra Ordinary Items	(96.57)	(104.59)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	135.04	
Miscellaneous Expenses not written off	22.44	
Net Cash used in Investing Activity	157.48	656.09
Cash Flow from Financing Activities		
Proceeds from Long-Term-Borrowings		
a) Share Capital		
b) Secured Loan	(191.86)	
c) Unsecured Loan	(34.03)	
d) Deferred Tax Liability	(30.45)	
Net cash used in financing activities	(256.34)	(755.81)
Net Increase / (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents as at 31.03.2007	2.67	
Cash and Cash Equivalents as at 01.04.2006	0.38	(4.87)
Total	(96.57)	(104.59)

As per our report of even date attached
M/s. Rajesh Lohia & Company
Chartered Accountants
Rajesh Lohia
Proprietor

For and on Behalf of Board of Directors

Ram Menon
Chairman

Nitin Menon
Vice Chairman And
Managing Director

Place : Kolhapur
Date : 20-05-2007

Balance Sheet Abstract & Company's General Business Profile

REGISTRATION DETAILS

Registration No. : 19441
Balance sheet Date : 31.03.2007

State Code 11

CAPITAL RAISED DURING THE YEAR (Rs. in thousands)

Public Issue	Right Issue
Bonus Issue	Private Placement

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in 000)

TOTAL LIABILITIES	175,286	TOTAL ASSETS	175,286
SOURCES OF FUNDS		APPLICATION OF FUNDS	
Paid - up capital	43,900	Net Fixed Assets	122,768
Secured Loans	87,438	Current Assets	25,245
Unsecured Loans	27,177	Miscellaneous Expenses	6,805
Current Liabilities	8,764	Accumulated Loss	20,468
Deferred Tax Liability	8,007		

PERFORMANCE OF THE COMPANY

Turnover	36,128	Total Expenditure	46,149
Profit / Loss Before tax	(10,021)	Profit / Loss After tax	(13,141)

GENERIC NAME OF PRINCIPLE PRODUCTS OF THE COMPANY

Item Code No. (ITC code No.)	3,359
Product Description	Aluminium Die Casting Components

As per our report of
even date attached
M/s. Rajesh Lohia & Co.
Chartered Accountants

Rajesh Lohia
Proprietor

Place : Kolhapur
Date : 20.05.2007

For and on Behalf of Board of Directors

Ram Menon
Chairman

Nitin Menon
Vice Chairman And
Managing Director